

TOWN OF GROTON, MASSACHUSETTS

Financial Statements

June 30, 2020

and Electric Light Enterprise Fund as of December 31, 2019

(With Accountants' Report Thereon)

Giusti, Hingston and Company
Certified Public Accountants

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Town of Groton, Massachusetts
FINANCIAL STATEMENTS
For the Year Ended June 30, 2020
and Electric Light Enterprise Fund as of December 31, 2019
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INDEPENDENT AUDITORS' REPORT

Board of Selectmen
Town of Groton
173 Main Street
Groton, MA 01450

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Groton, Massachusetts as of and for the year ended June 30, 2020 (December 31, 2019 for the Groton Electric Light Enterprise Fund), which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Groton, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Groton Electric Light Enterprise Fund. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included for the Groton Electric Light Enterprise Fund, is based solely on the report of the other auditors.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Electric Light Department was not audited in accordance with Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Groton, Massachusetts as of June 30, 2020 (and the Groton Electric Light Enterprise Fund as of December 31, 2019) and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary statement, the retirement system schedules and the other post employment benefit schedules listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reported dated December 16, 2020, on our consideration of the Town of Groton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Groton's internal control over financial reporting and compliance.

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
Georgetown, Massachusetts
December 16, 2020

Town of Groton, Massachusetts
Management's Discussion and Analysis
Required Supplementary Information
June 30, 2020

As management of the Town of Groton, Massachusetts, we offer readers of the Town of Groton, Massachusetts' financial statements this narrative overview and analysis of the financial activities of the Town of Groton, Massachusetts for the fiscal year ended June 30, 2020.

Financial Statements Reporting Model

The Town of Groton, Massachusetts has implemented GASB 34 (Governmental Accounting Standards Board Statement number 34). This statement requires all governments to account for and report capital assets in its Financial Statements. In addition, GASB 34 establishes new criteria on the form and content of governmental financial statements and makes changes to the audited financial statements and the accounting methods used to generate the amounts. These changes are explained below and are also further explained in the "Notes to the Financial Statements". Please refer to the Table of Contents at the very beginning of these Financial Statements for a summary of where the information explained here is presented in these Financial Statements.

One of the changes created by the GASB 34 Reporting Model relates to the addition of two new financial statements. These financial statements are called Government-wide Financial Statements. The first statement is called the Statement of Net Position and the second one is called the Statement of Activities. A description of these Government-wide Financial Statements is provided below and additional information about them can be found in the "Notes to the Financial Statements".

This "Management's Discussion and Analysis" is intended to serve as an introduction to the Town of Groton, Massachusetts's June 30, 2020 basic financial statements. The Town of Groton, Massachusetts's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Financial Highlights

- The assets of the Town of Groton, Massachusetts exceeded its liabilities at the close of the most recent fiscal year by \$52,994,537 (*net position*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,564,154, or 12% of total general fund expenditures.
- The Town of Groton, Massachusetts' total debt increased by \$3,850,033 during the current year. The increase was the result of new bond proceeds of \$5,835,000 and (\$1,984,967) of principal payments and amortization of debt premiums.
- The Town has implemented Governmental Accounting Standards Board Statement # 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The new standard requires reporting the entire Net OPEB Liability. Previous standards

required reporting the liability over a thirty year “phase in” period. The resulting calculation was reported as the Net OPEB.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Groton, Massachusetts’ finances, in a manner similar to private-sector business.

The *Statement of Net Position* presents information on all of the Town of Groton, Massachusetts’ assets and liabilities, with the differences between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Groton, Massachusetts is improving or deteriorating.

The *statement of activities* presents information showing how the government’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise of the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements have separate columns for governmental activities and business-type activities. The Town’s activities are classified as follows:

- **Governmental Activities** – Activities reported here include education, public safety, public works, library and general administration. Property taxes, motor vehicle excise taxes, federal, state and other local revenues finance these activities.
- **Business-type Activities** - Activities reported here are for Water, Sewer, Electric Light and Cable Access. User fees charged to the customers receiving services finance these activities.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Groton, Massachusetts, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Groton, Massachusetts can be divided into three categories: governmental funds, fiduciary funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund

statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Proprietary funds. The Town of Groton, Massachusetts maintains four proprietary fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Groton, Massachusetts uses enterprise funds to account for its Water, Sewer, Electric Light and Cable Access operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer, Electric Light and Cable Access operations.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town maintains fiduciary funds to account for activities related to charitable trust funds and for its Other Post Employment Benefits (OPEB) trust fund. The OPEB Trust Fund is used to accumulate resources to provide funding for future OPEB liabilities.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Town of Groton, Massachusetts' progress in funding its obligation to provide pension and OPEB benefits to its employees. The *required supplementary information* also includes budget versus actual information.

Reconciliation of Government-wide Financial Statements to Fund Financial Statements

The governmental activities of the government-wide financial statements and the governmental funds of the fund financial statements do not use the same accounting basis and measurement focus. Capital assets and long-term liabilities are not included on the balance sheet of the governmental funds, but are included on the Statement of Net Position. Capital assets are recorded as expenditures when they are purchased in the governmental funds and depreciated over the useful life in the government-wide financial statements. We have included schedules that provide a crosswalk from the government-wide financial statements to the governmental funds of the fund financial statements:

- Reconciliation of the Governmental funds balance sheet – total fund balances to the Statement of Net Position.
- Reconciliation of the statement of revenues and expenditures and changes in fund balance of governmental funds to the statement of activities.

The reconciliation of government-wide financial statements to enterprise funds of the fund financial statements is not necessary. The business-type activities of the government-wide financial statements and the enterprise funds use the same accounting basis and measurement focus.

Financial Analysis of the Government-wide Financial Statements

Net Position

Net position may serve over time as a useful indicator of a government’s financial position. However, the net position of governmental activities should be viewed independently from business-type activities. Resources of the governmental activities are not used to finance costs related to business-type activities. The following table reflects the condensed net position.

	Net Position					
	June 30					
	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 16,413,295	\$ 18,660,878	\$ 6,843,441	\$ 6,856,704	\$ 23,256,736	\$ 25,517,582
Capital Assets	61,775,238	54,001,438	31,518,371	31,547,797	93,293,609	85,549,235
Total Assets	<u>78,188,533</u>	<u>72,662,316</u>	<u>38,361,812</u>	<u>38,404,501</u>	<u>116,550,345</u>	<u>111,066,817</u>
Deferred Outflows of Resources	<u>4,902,054</u>	<u>4,161,131</u>	<u>2,124,006</u>	<u>1,994,515</u>	<u>7,026,060</u>	<u>6,155,646</u>
Other Liabilities	2,769,504	3,042,025	2,217,611	2,517,226	4,987,115	5,559,251
Long Term Liabilities	48,100,606	41,815,082	11,373,140	10,603,207	59,473,746	52,418,289
Total Liabilities	<u>50,870,110</u>	<u>44,857,107</u>	<u>13,590,751</u>	<u>13,120,433</u>	<u>64,460,861</u>	<u>57,977,540</u>
Deferred Inflows of Resources	<u>2,969,882</u>	<u>2,472,491</u>	<u>3,151,125</u>	<u>3,106,316</u>	<u>6,121,007</u>	<u>5,578,807</u>
Net Position:						
Net Investment in Capital Assets	41,154,528	39,998,642	27,596,107	27,114,882	68,750,635	67,113,524
Restricted	8,139,518	8,286,142	-	-	8,139,518	8,286,142
Unrestricted	(20,043,451)	(19,060,167)	(3,852,165)	(2,942,615)	(23,895,616)	(22,002,782)
Total Net Position	<u>\$ 29,250,595</u>	<u>\$ 29,224,617</u>	<u>\$ 23,743,942</u>	<u>\$ 24,172,267</u>	<u>\$ 52,994,537</u>	<u>\$ 53,396,884</u>

The net position of the Town (not including prior period adjustments) decreased by \$402,347. The net position of the governmental activities increased by \$25,978 or less than 1%, and the net position of the business-type activities decreased by (\$428,325) or 2%.

Changes in Net Position

The following condensed financial information was derived from the government-wide Statement of Activities. It reflects how the Town's net position have changed during the fiscal year.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 1,736,958	\$ 2,071,991	\$ 12,476,296	\$ 12,877,269	\$ 14,213,254	\$ 14,949,260
Operating Grants and Contributions	1,893,097	2,376,240	106,163	286,308	1,999,260	2,662,548
Capital Grants and Contributions	30,300	-	-	-	30,300	-
General Revenues:						
Property Taxes	34,312,977	32,929,316	-	-	34,312,977	32,929,316
Motor Vehicle and Other Excises	2,121,588	1,958,378	-	-	2,121,588	1,958,378
Intergovernmental Not Restricted to a Specific Program	900,236	868,697	-	-	900,236	868,697
Other	449,313	654,423	-	-	449,313	654,423
Total Revenues	<u>41,444,469</u>	<u>40,859,045</u>	<u>12,582,459</u>	<u>13,163,577</u>	<u>54,026,928</u>	<u>54,022,622</u>
Expenses						
General Government	3,312,977	3,441,001	-	-	3,312,977	3,441,001
Public Safety	5,371,540	5,132,892	-	-	5,371,540	5,132,892
Education	23,281,442	22,452,383	-	-	23,281,442	22,452,383
Highways and Public Works	2,643,054	2,619,584	-	-	2,643,054	2,619,584
Human Services	396,566	385,465	-	-	396,566	385,465
Culture and Recreation	1,576,420	1,669,809	-	-	1,576,420	1,669,809
Fringe Benefits	4,228,297	3,850,125	-	-	4,228,297	3,850,125
Interest on Debt Service	608,195	413,757	-	-	608,195	413,757
Electric	-	-	10,246,669	10,848,462	10,246,669	10,848,462
Sewer	-	-	990,685	977,104	990,685	977,104
Water	-	-	2,115,769	1,409,271	2,115,769	1,409,271
Other	-	-	230,093	211,354	230,093	211,354
Total Expenses	<u>41,418,491</u>	<u>39,965,016</u>	<u>13,583,216</u>	<u>13,446,191</u>	<u>55,001,707</u>	<u>53,411,207</u>
Increase (Decrease) in Net Position						
Before Special Items	25,978	894,029	(1,000,757)	(282,614)	(974,779)	611,415
Special Items	-	165,035	572,432	246,550	572,432	411,585
Increase (Decrease) in Net Position	<u>\$ 25,978</u>	<u>\$ 1,059,064</u>	<u>\$ (428,325)</u>	<u>\$ (36,064)</u>	<u>\$ (402,347)</u>	<u>\$ 1,023,000</u>

Governmental Activities

In fiscal year 2020, property taxes accounted for approximately 83% of the revenues.

Business-type Activities

Water, Sewer, Electric Light and Cable Access rates are structured to cover all costs related to each activity.

Financial Analysis of the Town's Funds

Governmental Funds

The focus of the Town of Groton, Massachusetts' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Groton, Massachusetts's financing requirements. In particular, unassigned fund balance may service as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Town of Groton,

Massachusetts itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Town of Groton, Massachusetts' Selectmen.

General Fund – The year-end fund balances of the general fund was \$285,013 less than the prior year's fund balance.

Based upon the balance sheet as of the close of each fiscal year, the Commonwealth of Massachusetts' Department of Revenue (DOR) determines the amount of general fund balance available for appropriation. In general, this amount (commonly known as "free cash") is generated when actual revenues on a cash basis exceed budgeted amounts and expenditures and encumbrances (unpaid commitments) are less than appropriations, or both.

The following table reflects the trend in all the components of fund balance and details the certified free cash. Beginning with fiscal year 2011 fund balances are reported in accordance with Governmental Accounting Standards Board Statement #54.

Changes in Fund Balance and Free Cash								
General Fund								
	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total Fund Balance</u>	<u>Free Cash</u>		
2011	\$ 15,830	\$ 307,510	\$ 71,289	\$ 3,237,271	\$ 3,631,900	\$ 1,145,957		
2012	-	654,523	80,937	3,210,243	3,945,703	1,136,576		
2013	-	308,269	77,309	3,711,113	4,096,691	1,316,409		
2014	-	510,881	106,327	3,279,021	3,896,229	1,181,587		
2015	13,271	778,161	118,625	3,551,544	4,461,601	1,009,092		
2016	8,751	902,159	97,505	4,555,717	5,564,132	1,219,850		
2017	6,499	833,903	180,203	4,775,252	5,795,857	2,369,261		
2018	4,516	2,078,643	76,335	4,525,790	6,685,284	2,212,873		
2019	2,866	1,673,524	93,967	4,321,023	6,091,380	1,335,762		
2020	1,603	957,712	282,898	4,564,154	5,806,367	1,087,033		

The fiscal year 2020 and 2019 fund balances include \$3,216,721 and \$3,355,599 respectively, which represents the Town's stabilization fund balance that is required to be included with the general fund for financial statements purposes, in accordance with the GASB 54 requirements.

Proprietary Funds. The Town of Groton, Massachusetts' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

General Fund Budgetary Highlights

The differences between the original budget and the final amended budget is made up of transfers between functions. The majority of the transfers were from the general government reserve fund.

Capital Asset and Debt Administration

Capital assets. The Town of Groton, Massachusetts' investments in capital assets for its governmental and business type activities as of June 30, 2020, amounts to \$93,293,609 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, equipment and vehicles.

**Capital Assets at June 30
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land and Construction in Progress	\$ 41,236,994	\$ 33,882,271	\$ 2,109,913	\$ 2,107,133	\$ 43,346,907	\$ 35,989,404
Distribution Plant	-	-	6,439,914	6,259,602	6,439,914	6,259,602
General Plant	-	-	5,930,391	6,102,693	5,930,391	6,102,693
Buildings	6,939,073	5,890,266	1,722,881	1,788,071	8,661,954	7,678,337
Improvements Other Than Buildings	363,232	432,416	65,794	73,534	429,026	505,950
Infrastructure	9,547,758	9,862,629	15,149,903	15,080,793	24,697,661	24,943,422
Equipment	944,966	1,111,356	65,961	89,547	1,010,927	1,200,903
Vehicles	2,743,215	2,822,500	33,614	46,424	2,776,829	2,868,924
Total	<u>\$ 61,775,238</u>	<u>\$ 54,001,438</u>	<u>\$ 31,518,371</u>	<u>\$ 31,547,797</u>	<u>\$ 93,293,609</u>	<u>\$ 85,549,235</u>

Debt

The Town had \$24,342,236 in general obligation bonds, outstanding on June 30, 2020. This represents a \$4,519,256 increase or 23% from the previous year.

General Obligation Bonds Payable at June 30

	<u>2020</u>	<u>2019</u>
Governmental Activities	<u>\$ 20,641,692</u>	<u>\$ 15,643,946</u>
Business-type Activities		
Electric	1,618,940	1,747,463
Sewer	171,600	202,000
Water	1,910,004	2,229,571
Total Business Type Activities	<u>3,700,544</u>	<u>4,179,034</u>
Total Debt	<u>\$ 24,342,236</u>	<u>\$ 19,822,980</u>

Standard and Poor's rating services has given the Town a general obligation debt rating of AAA. This rating is the result of a review of the Town's financial policies and practices, which have been determined to be strong, well embedded, and likely sustainable.

Fiscal Year 2021 Budget

An initiative state statute, commonly known as "Proposition 2 ½", limits the amount of property taxes that Towns can assess in any one year. In general, the Town's property tax levy may increase by 2 ½ percent over the prior year's tax levy, plus any additional amount derived by new developments or other changes made to existing property. If a community wishes to levy taxes above the limitations imposed by "Proposition 2 ½", it is necessary to obtain the approval of a majority of the voters at an election.

Request for Information

This financial report is designated to provide a general overview of the Town of Groton, Massachusetts' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Town of Groton
173 Main Street
Groton, MA 01450

Town of Groton, Massachusetts
Statement of Net Position
June 30, 2020
(Except for the Electric Enterprise Activity, Which is as of December 31, 2019)
(Continued on Page 12)

	<u>Governmental</u> <u>Activities</u>	<u>Business - Type</u> <u>Activities</u>	<u>Government-</u> <u>Wide</u> <u>Total</u>
Assets			
Current:			
Cash/Investments	\$ 14,138,863	\$ 2,220,119	\$ 16,358,982
Receivables:			
Property Taxes	666,829	-	666,829
Tax Liens	286,341	-	286,341
Excises	245,596	-	245,596
User Charges	-	1,149,970	1,149,970
Departmental	370,316	124,940	495,256
Intergovernmental	494,781	-	494,781
Special Assessment Liens	1,003	2,078	3,081
Materials and Supplies	-	513,290	513,290
Prepaid Expenses	-	1,090,195	1,090,195
Noncurrent:			
Investments	-	1,604,498	1,604,498
Deferred Property Taxes	209,566	-	209,566
Deferred Special Assessments	-	130,095	130,095
Other Receivable	-	8,256	8,256
Capital Assets:			
Assets Not Being Depreciated	41,236,994	2,109,913	43,346,907
Assets Being Depreciated, Net	20,538,244	29,408,458	49,946,702
Total Assets	<u>78,188,533</u>	<u>38,361,812</u>	<u>116,550,345</u>
Deferred Outflows of Resources			
Deferral on Refunding Issue	25,915	-	25,915
Other Post Employment Benefit Obligations	1,895,523	369,679	2,265,202
Pension	2,980,616	1,754,327	4,734,943
Total Deferred Outflows of Resources	<u>4,902,054</u>	<u>2,124,006</u>	<u>7,026,060</u>
Liabilities			
Current:			
Warrants Payable	167,823	1,294,922	1,462,745
Accrued Salaries Payable	155,739	-	155,739
Other Liabilities	74,871	-	74,871
Accrued Interest	93,502	14,881	108,383
Bonds Payable	1,677,435	454,284	2,131,719
Other Accrued Liabilities	-	210,204	210,204
Bond Anticipation Notes Payable	600,134	243,320	843,454

Town of Groton, Massachusetts
Statement of Net Position
June 30, 2020
(Except for the Electric Enterprise Activity, Which is as of December 31, 2019)
(Continued from Page 11)

	Governmental <u>Activities</u>	Business - Type <u>Activities</u>	Government- Wide <u>Total</u>
Noncurrent:			
Bonds Payable	18,964,257	3,246,260	22,210,517
Deferred Gain on Refinance of Bond	-	48,295	48,295
Customer Deposit	-	224,881	224,881
Lease Payable	4,933	-	4,933
Other Accrued Liabilities	-	136,003	136,003
Compensated Absences	555,516	39,662	595,178
Landfill Liability	603,118	-	603,118
Net Pension Liability	20,015,692	6,514,354	26,530,046
Net Other Post Employment Benefit Obligations	7,957,090	1,163,685	9,120,775
Total Liabilities	<u>50,870,110</u>	<u>13,590,751</u>	<u>64,460,861</u>
Deferred Inflows of Resources:			
Contribution in Aid of Construction	-	974,352	974,352
Reserve for Rate Stabilization	-	1,468,495	1,468,495
Other Post Employment Benefit Liability	1,935,128	374,048	2,309,176
Pension	1,034,754	334,230	1,368,984
Total Deferred Inflows of Resources	<u>2,969,882</u>	<u>3,151,125</u>	<u>6,121,007</u>
Net Position:			
Net Investment in Capital Assets	41,154,528	27,596,107	68,750,635
Restricted for:			
Capital Projects	377,272	-	377,272
Gifts, Grants and Other Statutory Restrictions	3,394,008	-	3,394,008
Permanent Funds:			
Expendable	920,942	-	920,942
Nonexpendable	3,447,296	-	3,447,296
Unrestricted (Deficit)	<u>(20,043,451)</u>	<u>(3,852,165)</u>	<u>(23,895,616)</u>
Total Net Position	<u>\$ 29,250,595</u>	<u>\$ 23,743,942</u>	<u>\$ 52,994,537</u>

Town of Groton, Massachusetts
Statement of Activities
Fiscal Year Ended June 30, 2020
(Except for the Electric Activity, Which is for Year Ended December 31, 2019)

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<i>Governmental Activities:</i>							
General Government	\$ 3,312,977	\$ 198,582	\$ 516,424	30,300	\$ (2,567,671)	\$ -	\$ (2,567,671)
Public Safety	5,371,540	936,312	337,259	-	(4,097,969)	-	(4,097,969)
Education	23,281,442	-	-	-	(23,281,442)	-	(23,281,442)
Highways and Public Works	2,643,054	254,749	647,130	-	(1,741,175)	-	(1,741,175)
Human Services	396,566	14,134	344,816	-	(37,616)	-	(37,616)
Culture and Recreation	1,576,420	333,181	47,468	-	(1,195,771)	-	(1,195,771)
Interest on Debt Service	608,195	-	-	-	(608,195)	-	(608,195)
Fringe Benefits	4,228,297	-	-	-	(4,228,297)	-	(4,228,297)
Total Governmental Activities	<u>41,418,491</u>	<u>1,736,958</u>	<u>1,893,097</u>	<u>30,300</u>	<u>(37,758,136)</u>	<u>-</u>	<u>(37,758,136)</u>
<i>Business-Type Activities:</i>							
Electric	10,246,669	10,189,479	44,128	-	-	(13,062)	(13,062)
Sewer	990,685	857,205	11,931	-	-	(121,549)	(121,549)
Water	2,115,769	1,247,230	45,927	-	-	(822,612)	(822,612)
Other	230,093	182,382	4,177	-	-	(43,534)	(43,534)
Total Business-Type Activities	<u>13,583,216</u>	<u>12,476,296</u>	<u>106,163</u>	<u>-</u>	<u>-</u>	<u>(1,000,757)</u>	<u>(1,000,757)</u>
Total	<u>\$ 55,001,707</u>	<u>\$ 14,213,254</u>	<u>\$ 1,999,260</u>	<u>\$ 30,300</u>	<u>(37,758,136)</u>	<u>(1,000,757)</u>	<u>(38,758,893)</u>
<i>General Revenues:</i>							
Property Taxes					34,312,977	-	34,312,977
Motor Vehicle and Other Excise Taxes					2,121,588	-	2,121,588
Penalties and Interest on Taxes					87,402	-	87,402
Other Taxes, Assessments and in Lieu Payments					242,168	-	242,168
Intergovernmental					900,236	-	900,236
Interest and Investment Income					109,112	-	109,112
Other Revenue					10,631	-	10,631
Transfer Capital Assets					-	572,432	572,432
Total General Revenues and Transfers					<u>37,784,114</u>	<u>572,432</u>	<u>38,356,546</u>
Change in Net Position					25,978	(428,325)	(402,347)
Net Position:							
Beginning of the Year					29,493,849	24,172,267	53,666,116
Prior Period Adjustment					(269,232)	-	(269,232)
Beginning of the Year, as Restated					<u>29,224,617</u>	<u>24,172,267</u>	<u>53,396,884</u>
End of the Year					<u>\$ 29,250,595</u>	<u>\$ 23,743,942</u>	<u>\$ 52,994,537</u>

Town of Groton, Massachusetts

Governmental Funds

Balance Sheet

June 30, 2020

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<u>Assets</u>			
Cash/Investments	\$ 5,833,962	\$ 8,304,901	\$ 14,138,863
Receivables:			
Property Taxes	666,829	-	666,829
Tax Liens	286,341	-	286,341
Excises	245,596	-	245,596
Deferred Property Taxes	209,566	-	209,566
Departmental	370,316	-	370,316
Intergovernmental	-	494,781	494,781
Special Assessments	-	1,003	1,003
Tax Foreclosures	45,745	-	45,745
Total Assets	\$ 7,658,355	\$ 8,800,685	\$ 16,459,040
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Warrants Payable	\$ 167,823	\$ -	\$ 167,823
Accrued Payroll Payable	155,739	-	155,739
Other Liabilities	13,838	61,033	74,871
Bond Anticipation Notes Payable	-	600,134	600,134
Total Liabilities	337,400	661,167	998,567
Deferred Inflows of Resources:			
Unearned Revenue:			
Unavailable Revenue	1,514,588	477,964	1,992,552
Total Deferred Inflows of Resources	1,514,588	477,964	1,992,552
Fund Equity:			
Fund Balances:			
Nonspendable	-	3,447,296	3,447,296
Restricted	1,603	3,992,247	3,993,850
Committed	957,712	34,940	992,652
Assigned	282,898	187,071	469,969
Unassigned	4,564,154	-	4,564,154
Total Fund Balances	5,806,367	7,661,554	13,467,921
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 7,658,355	\$ 8,800,685	\$ 16,459,040

Town of Groton, Massachusetts
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal Year Ended June 30, 2020

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<u>Revenues:</u>			
Property Taxes	\$ 33,362,690	\$ 781,194	\$ 34,143,884
Excises	2,065,027	-	2,065,027
Penalties and Interest	87,402	-	87,402
In Lieu of Taxes	242,168	-	242,168
Charges for Services	129,219	359,014	488,233
Fees and Other Departmental	664,039	43,554	707,593
Licenses and Permits	455,235	-	455,235
Fines and Forfeits	27,404	-	27,404
Earnings on Investments	109,112	24,222	133,334
Intergovernmental	1,014,442	1,501,837	2,516,279
Contributions	-	280,052	280,052
Miscellaneous	8,832	24,309	33,141
Total Revenues	<u>38,165,570</u>	<u>3,014,182</u>	<u>41,179,752</u>
<u>Expenditures:</u>			
General Government	2,567,530	828,478	3,396,008
Public Safety	4,427,997	322,903	4,750,900
Education	23,251,705	-	23,251,705
Highways and Public Works	1,968,254	5,138,521	7,106,775
Human Services	299,683	2,540,123	2,839,806
Culture and Recreation	1,327,606	1,467,446	2,795,052
Debt Service	1,604,191	492,059	2,096,250
Intergovernmental	93,392	-	93,392
Employee Benefits	3,110,754	-	3,110,754
Total Expenditures	<u>38,651,112</u>	<u>10,789,530</u>	<u>49,440,642</u>
Excess of Revenues Over (Under) Expenditures	<u>(485,542)</u>	<u>(7,775,348)</u>	<u>(8,260,890)</u>
<u>Other Financing Sources (Uses):</u>			
Transfers In	360,000	615,289	975,289
Transfers (Out)	(159,471)	(815,818)	(975,289)
Proceeds from Bonds	-	5,835,000	5,835,000
Premium on Bonds	-	429,180	429,180
Total Other Financing Sources (Uses)	<u>200,529</u>	<u>6,063,651</u>	<u>6,264,180</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(285,013)</u>	<u>(1,711,697)</u>	<u>(1,996,710)</u>
Fund Balance, Beginning	6,091,380	9,373,251	15,464,631
Fund Balance, Ending	<u>\$ 5,806,367</u>	<u>\$ 7,661,554</u>	<u>\$ 13,467,921</u>

Town of Groton, Massachusetts
 Reconciliation of the Governmental Funds Balance Sheet
 Total Fund Balances to the Statement of Net Position
 Fiscal Year Ended June 30, 2020

Total Governmental Fund Balances	\$	13,467,921
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		61,775,238
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		1,946,807
Net deferred outflows of Resources of Pension are not financial resources and, therefore, are not reported in the funds.		2,980,616
Net deferred outflows of Resources of OPEB are not financial resources and, therefore, are not reported in the funds.		1,895,523
Net deferred inflows of Resources of Pension are not financial resources and, therefore, are not reported in the funds.		(1,034,754)
Net deferred inflows of Resources of OPEB are not financial resources and, therefore, are not reported in the funds.		(1,935,128)
Refunding issues used in governmental fund, but deferred in governmental activities per GASB 65.		25,915
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds Payable		(20,641,692)
Accrued Interest on Bonds		(93,502)
Landfill Accrued Liability		(603,118)
Leasing Payable		(4,933)
Other Post Employment Benefit Obligations		(7,957,090)
Net Pension Liability		(20,015,692)
Compensated Absences		(555,516)
		(55,555,330)
Net Position of Governmental Activities	\$	29,250,595

Town of Groton, Massachusetts
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 Fiscal Year Ended June 30, 2020

Net Change in Fund Balances - Total Governmental Funds	\$ (1,996,710)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	7,741,700
In the governmental funds, the disposal of capital assets is reported, whereas in the statement of activities, the sale is not reported.	1,800
Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.	232,617
The issuance of long-term debt (e.g., bonds, landfill, and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,482,011
In the statement of activities, the net payment to the escrow agent in excess of the debt refunded is not reported, whereas in the governmental funds, the proceeds and payments are reported as other financing sources/uses.	(6,246,641)
Some expenses reported in the Statement of Activities, such as compensated absences and other postemployment benefits, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This amount represents the net change in the compensated absences liability and other post employment benefits.	<u>(1,219,099)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (4,322)</u></u>

Town of Groton, Massachusetts
Proprietary Funds
Statement of Net Position
June 30, 2020
(Except for the Electric Enterprise Activity, Which is as of December 31, 2019)
(Continued on Page 19)

	Business - Type Activities Enterprise Fund				
	Electric Light				Total
	<u>Department</u>	<u>Sewer</u>	<u>Water</u>	<u>Cable</u>	
Assets					
Current:					
Cash and Cash Investments	\$ 508,867	\$ 851,403	\$ 607,026	\$ 252,823	\$ 2,220,119
Receivables, Net of Allowance for Uncollectibles:					
User Charges	1,046,980	39,275	63,715	-	1,149,970
Special Assessments	-	2,078	-	-	2,078
Materials and Supplies	513,290	-	-	-	513,290
Prepaid Expenses	1,090,195	-	-	-	1,090,195
Other	-	124,940	-	-	124,940
Noncurrent:					
Investments	1,604,498	-	-	-	1,604,498
Receivables:					
Deferred Special Assessments	-	130,095	-	-	130,095
Other	8,256	-	-	-	8,256
Assets Not Being Depreciated	1,379,316	-	730,597	-	2,109,913
Assets Being Depreciated, Net	12,370,305	4,868,762	12,158,374	11,017	29,408,458
Total Assets	18,521,707	6,016,553	13,559,712	263,840	38,361,812
Deferred Outflows of Resources:					
Other Post Employment Benefit Obligations	112,093	11,112	224,756	21,718	369,679
Pension	1,506,591	27,328	165,373	55,035	1,754,327
	1,618,684	38,440	390,129	76,753	2,124,006

Town of Groton, Massachusetts
Proprietary Funds
Statement of Net Position
June 30, 2020
(Except for the Electric Enterprise Activity, Which is as of December 31, 2019)
(Continued from Page 18)

	Business - Type Activities Enterprise Fund				
	Electric Light Department	Sewer	Water	Cable	Total
Liabilities					
Current:					
Warrants Payable	1,194,653	42,795	56,683	791	1,294,922
Bond Anticipation Notes Payable	-	-	243,320	-	243,320
Interest on Bonds Payable	-	1,719	13,162	-	14,881
Bonds Payable	93,013	30,400	330,871	-	454,284
Other Accrued Liabilities	210,204	-	-	-	210,204
Noncurrent:					
Customer Deposits	224,881	-	-	-	224,881
Bonds Payable	1,525,927	141,200	1,579,133	-	3,246,260
Customer Advances for Construction	48,295	-	-	-	48,295
Other Accrued Liabilities	136,003	-	-	-	136,003
Compensated Absences	-	1,302	28,769	9,591	39,662
Net Pension Liability	4,850,736	183,515	1,110,528	369,575	6,514,354
Net Other Post Employment Benefit Obligations	83,690	46,063	943,096	90,836	1,163,685
Total Liabilities	8,367,402	446,994	4,305,562	470,793	13,590,751
Deferred Inflows of Resources:					
Contribution in Aid of Construction	974,352	-	-	-	974,352
Reserve for Rate Stabilization	1,468,495	-	-	-	1,468,495
Other Post Employment Benefits	111,080	11,344	229,452	22,172	374,048
Pension	248,226	9,487	57,411	19,106	334,230
Total Deferred Inflows of Resources	2,802,153	20,831	286,863	41,278	3,151,125
Net Position					
Net Investment in Capital Assets	12,130,681	4,718,762	10,735,647	11,017	27,596,107
Restricted for:					
Unrestricted (Deficit)	(3,159,845)	868,406	(1,378,231)	(182,495)	(3,852,165)
Total Net Position	\$ 8,970,836	\$ 5,587,168	\$ 9,357,416	\$ (171,478)	\$ 23,743,942

Town of Groton, Massachusetts
Statement of Revenue, Expenses and Changes in Fund Net Position
Proprietary Funds
Fiscal Year Ended June 30, 2020
(Except for the Electric Activity, Which is for Year Ended December 31, 2019)

	Business - Type Activities Enterprise Funds				
	Electric Light Department	Sewer	Water	Cable	Total
Operating Revenues:					
Charges for Services	\$ 9,736,756	\$ 851,481	\$ 1,245,509	\$ 182,382	\$ 12,016,128
Other Operating	452,723	5,724	1,721	-	460,168
Total Operating Revenues	<u>10,189,479</u>	<u>857,205</u>	<u>1,247,230</u>	<u>182,382</u>	<u>12,476,296</u>
Operating Expenditures:					
Personal Services	284,790	60,283	318,914	132,352	796,339
Nonpersonal Service	8,337,584	735,333	1,298,218	89,834	10,460,969
Maintenance	1,001,419	-	-	-	1,001,419
Depreciation	442,568	188,146	416,595	7,907	1,055,216
Total Operating Expenditures	<u>10,066,361</u>	<u>983,762</u>	<u>2,033,727</u>	<u>230,093</u>	<u>13,313,943</u>
Operating Income	<u>123,118</u>	<u>(126,557)</u>	<u>(786,497)</u>	<u>(47,711)</u>	<u>(837,647)</u>
Nonoperating Revenues (Expenses):					
Intergovernmental, Net	-	-	22,645	-	22,645
Earnings on Investments	44,128	11,931	23,282	4,177	83,518
Interest on Debt	(71,966)	(6,923)	(82,042)	-	(160,931)
Total Nonoperating Revenues (Expenses)	<u>(27,838)</u>	<u>5,008</u>	<u>(36,115)</u>	<u>4,177</u>	<u>(54,768)</u>
Income Before Contributions and Transfers	<u>95,280</u>	<u>(121,549)</u>	<u>(822,612)</u>	<u>(43,534)</u>	<u>(892,415)</u>
Other Financing Sources (Uses):					
Payment in Lieu of Taxes	(108,342)	-	-	-	(108,342)
Contributions Capital Assets	-	-	572,432	-	572,432
Total Other Financing Sources (Uses)	<u>(108,342)</u>	<u>-</u>	<u>572,432</u>	<u>-</u>	<u>464,090</u>
Net Income (Loss)	<u>(13,062)</u>	<u>(121,549)</u>	<u>(250,180)</u>	<u>(43,534)</u>	<u>(428,325)</u>
Total Net Position July 1, 2019	<u>8,983,898</u>	<u>5,708,717</u>	<u>9,607,596</u>	<u>(127,944)</u>	<u>24,172,267</u>
Total Net Position June 30, 2020	<u>\$ 8,970,836</u>	<u>\$ 5,587,168</u>	<u>\$ 9,357,416</u>	<u>\$ (171,478)</u>	<u>\$ 23,743,942</u>

Town of Groton, Massachusetts
Statement of Cash Flows
Proprietary Fund
Fiscal Year Ended June 30, 2020
(Except for the Electric Enterprise Activity, Which is as of December 31, 2019)

	Business - Type Activities				
	Enterprise Funds				
	Electric	Sewer	Water	Cable	Total
Cash Flows from Operating Activities:					
Receipts from Customers	\$ 10,086,021	\$ 867,282	\$ 1,281,902	\$ 182,382	\$ 12,417,587
Payments to Employees	(2,397,509)	(60,346)	(315,630)	(131,179)	(2,904,664)
Payments to Vendors	(7,120,299)	(759,465)	(449,052)	(67,294)	(8,396,110)
Rents from Electric Property	225,980	-	-	-	225,980
Net Cash Flows Provided (Used) by Operating Activities	<u>794,193</u>	<u>47,471</u>	<u>517,220</u>	<u>(16,091)</u>	<u>1,342,793</u>
Cash Flows from Non Capital Related Financing Activities:					
Payments in Lieu of Taxes	(108,342)	-	-	-	(108,342)
Net Cash Flows Provided (Used) by Non Capital Related Financing Activities	<u>(108,342)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(108,342)</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition of Capital Assets	(483,101)	-	-	-	(483,101)
Customer Advances for Construction	93,262	-	-	-	93,262
Proceeds from Bond Anticipation Notes	-	-	(37,560)	-	(37,560)
Principal Payments on Notes and Bonds	(125,510)	(30,400)	(319,567)	-	(475,477)
Interest Expense	(72,518)	(7,219)	(45,013)	-	(124,750)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(587,867)</u>	<u>(37,619)</u>	<u>(402,140)</u>	<u>-</u>	<u>(1,027,626)</u>
Cash Flows from Investing Activities:					
Earnings on Investments	12,355	11,931	6,171	4,177	34,634
Net Cash Flows Provided (Used) by Investing Activities	<u>12,355</u>	<u>11,931</u>	<u>6,171</u>	<u>4,177</u>	<u>34,634</u>
Net Increase (Decrease) in Cash and Cash Equivalents	110,339	21,783	121,251	(11,914)	241,459
Cash and Cash Equivalents, July 1, 2019	398,528	829,620	485,775	264,737	1,978,660
Cash and Cash Equivalents, June 30, 2020	<u>\$ 508,867</u>	<u>\$ 851,403</u>	<u>\$ 607,026</u>	<u>\$ 252,823</u>	<u>\$ 2,220,119</u>
Reconciliation of Net Income to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	123,118	(126,557)	(786,497)	(47,711)	(837,647)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	442,568	188,146	416,595	7,907	1,055,216
Rate Stabilization	24,808	-	-	-	24,808
Select Energy Fund	1,060	-	-	-	1,060
Insurance Reserve	3,207	-	-	-	3,207
(Increase) Decrease in Assets/Deferred Outflows of Resources:					
Accounts Receivable	128,571	10,077	34,672	-	173,320
Material and Supplies	(38,575)	-	-	-	(38,575)
Prepaid Expenses	4,580	-	-	-	4,580
Purchased Power Prepayments and Working Capital	(1,182)	-	-	-	(1,182)
Deferred Outflows of Resources	99,716	(10,055)	(201,657)	(17,495)	(129,491)
Increase (Decrease) in Liabilities/Deferred Inflows of Resources:					
Warrants and Accounts Payable	(200,592)	(38,757)	49,049	(3,963)	(194,263)
Customer Deposits	2,105	-	-	-	2,105
Other Accrued Expenses	(36,169)	-	-	-	(36,169)
Net Pension Liability	385,759	15,499	224,826	29,291	655,375
Deferred Inflows of Resources	(88,488)	40,178	894,074	78,718	924,482
Other Post Employment Benefit Obligations	(56,293)	(31,060)	(113,842)	(62,838)	(264,033)
Net Cash Provided by Operating Activities	<u>\$ 794,193</u>	<u>\$ 47,471</u>	<u>\$ 517,220</u>	<u>\$ (16,091)</u>	<u>\$ 1,342,793</u>

Town of Groton, Massachusetts
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2020

	Private Purpose <u>Trust</u>	Other Postemployment Benefits <u>Trust</u>
Assets		
Cash and Cash Investments	\$15,405,148	\$ 17,937
Domestic Equity - Large Cap	-	120,578
Domestic Equity - Small/Mid Cap	-	63,777
International Equity - Developed Market	-	24,913
International Equity - Emerging Market	-	12,955
Domestic Fixed Income	-	72,746
International Fixed Income	-	35,875
Alternatives	-	17,937
Real Estate	-	31,889
	<hr/>	<hr/>
Total Assets	15,405,148	398,607
	<hr/>	<hr/>
Liabilities		
Current:		
Other Liabilities	-	-
	<hr/>	<hr/>
Total Liabilities	-	-
	<hr/>	<hr/>
Net Position		
Other Post Employment Benefits	-	398,607
Other Purposes	15,405,148	-
	<hr/>	<hr/>
Total Net Position	\$ 15,405,148	\$ 398,607
	<hr/> <hr/>	<hr/> <hr/>

Town of Groton, Massachusetts
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Fiscal Year Ended June 30, 2020

	Private Purpose <u>Trust</u>	Other Postemployment Benefits <u>Trust</u>
Additions (Reductions)		
Gifts	\$ 11,687	\$ -
Interest, Dividends, and (Losses)	57,280	15,891
Contribution - Employer	-	513,921
Total Additions (Reductions)	68,967	529,812
Deductions		
Education	139,768	-
Other Payments	63,385	-
Benefit Payments	-	344,921
Total Deductions	203,153	344,921
Change in Net Position Before Transfers	(134,186)	184,891
Transfers In (Out):		
Operating Transfers In	-	-
Change in Net Position	(134,186)	184,891
Net Position:		
Beginning of the Year	15,539,334	213,716
End of the Year	\$ 15,405,148	\$ 398,607

Town of Groton, Massachusetts
Notes to the Financial Statements
June 30, 2020 (December 31, 2019 Electric
Enterprise Fund)

I. Reporting Entity

The accompanying financial statements present the financial position of the Town of Groton as of June 30, 2020. The report includes all the services provided by the Town to its residents and businesses within its boundaries. Municipal services provided include education, public safety, recreation, public works, library and general administration. Criteria used in determining the scope of the reporting entity included the Town's ability to significantly influence operations, selection of governing authority, designation of management, financial interdependency and accountability for fiscal matters. All operations of the Town that meet the preceding criteria are included in the reporting entity.

II. Summary of Significant Accounting Policies

The accounting policies of the Town of Groton, Massachusetts, as reflected in the accompanying financial statements for the year ended June 30, 2020 conform to generally accepted accounting principles for local government units, except as indicated hereafter, as amended by Statement 1, Governmental Accounting and Financial Reporting Principles, issued by the National Council on Governmental Accounting. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The more significant accounting policies of the Town are summarized below.

(A) Government-wide and fund financial statements

The **government-wide financial statements** (i.e., the **Statement of Net Position** and the **statement of activities**) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10% of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

(B) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. These revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Primary sources of revenue considered susceptible to accrual consist principally of real estate and personal property taxes, motor vehicle excise tax, amounts due under grants, charges for services and investment income. Property taxes are recognized as revenue in the year for which taxes have been levied, provided they are collected within 60 days after year end. All other revenues are recognized when received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated vacation, sick pay, and other employee amounts which are not to be liquidated from expendable and available resources; and (2) debt service expenditures which are recognized when due.

Agency fund assets and liabilities are accounted for on the modified accrual basis of accounting.

The Town reports the following major governmental fund:

General Fund – This is the Town’s general operating fund. It accounts for all financial resources of the general government except those required to be accounting for in another fund.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the Nonmajor governmental funds column on the governmental funds financial statements. The following types are funds that are included in the nonmajor category:

The special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

The permanent fund is used to account for and report financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following proprietary funds:

Water Fund – This fund is used to account for the activities related to the water distribution system.

Sewer Fund – This fund is used to account for sewer activities.

Electric Light – This fund is used to account for the Town’s electric light operations.

Cable Access – This fund is used to account for the Town Cable Access operations.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trust capacity for others than cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The other postemployment benefit trust fund is used to accumulate resources for future other postemployment benefits (OPEB) liabilities.

The private-purpose trust fund is used to account for trust agreements that exclusively benefit individuals, private organizations or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion to be spent. The Town maintains a private purpose trust fund for several charitable trusts funds.

The agency fund is used to account for assets held in a purely custodial capacity.

(C) Budgetary Data

i) General Budget Policies

Budget requests are prepared by the various Town departments and submitted to the Selectmen and Finance Committee for review during January, February and March of each year. The Selectmen and Finance Committee have until April, which is when the annual Town meeting is held, to make any changes to the department requests. After approval of the budget at the annual Town meeting, the tax recapitulation (recap) sheet is prepared. During this process the property tax rate is determined and the recap sheet is sent to the Department of Revenue for approval.

ii) Budget Basis of Accounting

The budget amounts appearing in the financial statements are taken from the Town's annual recap sheet and include only those amounts which pertain to June 30, 2020. The budget amounts include special Town meeting votes applicable to June 30, 2020 and any reserve fund transfers authorized by the Finance Committee.

The expenditures on this statement are presented on a budgetary Non-GAAP basis. The difference between GAAP (Generally Accepted Accounting Principles) and Non-GAAP presentation is as follows:

	<u>Revenues</u>
As Reported Budget Basis	\$ 38,692,390
Adjustments:	
Sixty Day Accrual - Net	159,297
Fringe Benefits Reimbursement from Other Funds	
Reported as Other Departmental Revenue on Budget Basis	(750,831)
Earning Income of Stabilization Reported in Statement of Revenues, Expenditures, and Changes in Fund Balances	64,714
As Reported GAAP Statement	<u><u>\$ 38,165,570</u></u>
	<u>Expenditures</u>
As Reported Budget Basis	\$ 39,303,514
Adjustments:	
July 1, 2019 Encumbrances	482,477
June 30, 2020 Encumbrances	(553,048)
Fringe Benefits Reimbursement from Other Funds	
Reported as Employee Benefits on Budget Basis	(750,831)
OPEB Contribution - Transfer Out on Budgetary Basis, but Employee Benefit Expense on GAAP Basis	169,000
As Reported GAAP Statement	<u><u>\$ 38,651,112</u></u>

(D) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs (which do not add to the value of the asset or materially extend assets lives) is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Equipment	5-15
Improvements	20-40
Infrastructure	40-50
Vehicles	5-15

(E) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position and the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Town's governmental fund financial statements (balance sheet) reflect deferred inflows of resources for revenues that are not considered "available" criteria. The government wide financial statements (statement of net position) reflect deferred outflows and deferred inflows of resources related to pension and debt refunding and deferred inflows of resources related to several other items.

(F) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Middlesex County Retirement System and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(G) Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows.

Net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be debt used to acquire capital assets.

Net position is reported as restricted when there is an externally imposed restriction on its use or it is limited by enabling legislation.

Capital asset activity for the year ended June 30, 2020 was as follows:

Governmental Activities:	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>
Land	\$ 29,677,844	\$ 395,906	\$ -	\$ 30,073,750
Construction in Progress	4,204,427	7,018,940	(60,123)	11,163,244
Total Capital Assets Not Being Depreciated	<u>33,882,271</u>	<u>7,414,846</u>	<u>(60,123)</u>	<u>41,236,994</u>
Assets Being Depreciated:				
Buildings	13,918,948	1,422,536	-	15,341,484
Improvements Other Than Buildings	1,057,686	-	-	1,057,686
Infrastructure	21,817,548	-	-	21,817,548
Equipment	3,248,191	-	-	3,248,191
Vehicles	6,297,890	395,495	(40,346)	6,653,039
Total Capital Assets Being Depreciated	<u>46,340,263</u>	<u>1,818,031</u>	<u>(40,346)</u>	<u>48,117,948</u>
Less Accumulated Depreciation for:				
Buildings	(8,028,682)	(373,729)	-	(8,402,411)
Improvements Other Than Buildings	(625,270)	(69,184)	-	(694,454)
Infrastructure	(11,954,919)	(314,871)	-	(12,269,790)
Equipment	(2,136,835)	(166,390)	-	(2,303,225)
Vehicles	(3,475,390)	(474,780)	40,346	(3,909,824)
Total Accumulated Depreciation	<u>(26,221,096)</u>	<u>(1,398,954)</u>	<u>40,346</u>	<u>(27,579,704)</u>
Capital Assets Being Depreciated, Net	<u>20,119,167</u>	<u>419,077</u>	<u>-</u>	<u>20,538,244</u>
Governmental Activities Capital Assets, Net	<u>\$ 54,001,438</u>	<u>\$ 7,833,923</u>	<u>\$ (60,123)</u>	<u>\$ 61,775,238</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 161,437
Public Safety	746,367
Education	29,737
Highways and Public works	272,066
Human Services	54,100
Culture and Recreation	135,247
Total Governmental Activities Depreciation Expense	<u>\$ 1,398,954</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Business-Type Activities:				
Land	\$ 1,948,599	\$ -	\$ -	\$ 1,948,599
Construction in Progress	158,534	20,416	(17,636)	161,314
Total Capital Assets Not Being Depreciated	<u>2,107,133</u>	<u>20,416</u>	<u>(17,636)</u>	<u>2,109,913</u>
Assets Being Depreciated:				
Distribution Plant	12,000,361	480,321	(118,092)	12,362,590
General Plant	6,892,097	-	-	6,892,097
Buildings	2,623,388	-	-	2,623,388
Improvements Other Than Buildings	154,805	-	-	154,805
Infrastructure	25,032,501	572,432	-	25,604,933
Equipment	716,522	-	-	716,522
Vehicles	142,344	-	-	142,344
Total Capital Assets Being Depreciated	<u>47,562,018</u>	<u>1,052,753</u>	<u>(118,092)</u>	<u>48,496,679</u>
Less Accumulated Depreciation for:				
Distribution Plant	(5,740,759)	(300,009)	118,092	(5,922,676)
General Plant	(789,404)	(172,302)	-	(961,706)
Buildings	(835,317)	(65,190)	-	(900,507)
Improvements Other Than Buildings	(81,271)	(7,740)	-	(89,011)
Infrastructure	(9,951,708)	(503,322)	-	(10,455,030)
Equipment	(626,975)	(23,586)	-	(650,561)
Vehicles	(95,920)	(12,810)	-	(108,730)
Total Accumulated Depreciation	<u>(18,121,354)</u>	<u>(1,084,959)</u>	<u>118,092</u>	<u>(19,088,221)</u>
Capital Assets Being Depreciated, Net	<u>29,440,664</u>	<u>(32,206)</u>	<u>-</u>	<u>29,408,458</u>
Business Type Activities Capital Assets, Net	<u>\$ 31,547,797</u>	<u>\$ (11,790)</u>	<u>\$ (17,636)</u>	<u>\$ 31,518,371</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:

Electric	\$ 472,311
Sewer	188,146
Water	416,595
Other	7,907
Total Business-Type Activities Depreciation Expense	<u>\$ 1,084,959</u>

(H) Fund Balance Classification Policies and Procedures

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement (effective for fiscal year 2011) establishes accounting and financial reporting standards for all governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications.

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to the constraints on the specific purposes for which the amounts in those funds can be spent.

GASB 54 requires the fund balance amounts to be reported within one of the fund balance categories listed below.

1.**Nonspendable**, includes amounts that cannot be spent because (a) they are not in spendable form (such as fund balance associated with inventories) (b) they are legally or contractually required to stay intact (i.e. corpus of a permanent trust fund).

2.**Restricted**, constraints on the use of resources for specific purposes are imposed (a) by creditors, grantors or contributors, or (b) by law through constitutional provisions or through enabling legislation.

3.**Committed**, includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. For the Town, Town Meeting is the highest level of decision making authority that can vote, by article, to commit fund balance. Once committed, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a Town Meeting vote is taken to remove or revise the commitment.

4.**Assigned**, intentions (by the Board of Selectmen, Town Manager or Town Accountant) that resources are to be used by the government for specific purposes, but the restrictions do not meet the criteria necessary to be classified as restricted or committed.

5.**Unassigned**, the residual classification for the government's general fund. It includes all spendable amounts not contained in the nonspendable, restricted, committed or assigned categories. A "positive" unassigned may only be displayed in the general fund.

The Board of Selectmen is the highest level of decision making authority in the Town. Committed fund balance cannot be used for any other purposes without formal vote taken by the Board of Selectmen.

The Town has formally adopted a policy for its use of unrestricted fund balance. Therefore, in accordance with GASB 54, it is considered that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

Details of Fund Balance Classifications

The following schedule shows the detail of the fund balance classifications displayed in the aggregate on the Town's balance sheet.

	<u>General Fund</u>	Non Major <u>Funds</u>	<u>Total</u>
Fund Balances:			
Nonspendable:			
Culture and Recreation	\$ -	\$ 3,447,296	\$ 3,447,296
Total Nonspendable:	<u>-</u>	<u>3,447,296</u>	<u>3,447,296</u>
Restricted for:			
General Government	-	1,699,508	1,699,508
Public Safety	-	867,338	867,338
Highways and Public Works	-	30,559	30,559
Human Services	-	138,275	138,275
Culture and Recreation	-	1,256,567	1,256,567
Debt Services	1,603	-	1,603
Total Restricted for:	<u>1,603</u>	<u>3,992,247</u>	<u>3,993,850</u>
Committed to:			
General Government	136,606	24,442	161,048
Public Safety	102,498	7,299	109,797
Education	265,172	-	265,172
Highways and Public Works	132,768	-	132,768
Human Services	-	3,200	3,200
Culture and Recreation	51,999	-	51,999
Debt Services	91,574	-	91,574
Employee Benefits	177,094	-	177,094
Total Committed to:	<u>957,711</u>	<u>34,941</u>	<u>992,652</u>
Assigned to:			
General Government	122,216	187,070	309,286
Public Safety	94,295	-	94,295
Highways and Public Works	2,951	-	2,951
Human Services	1,331	-	1,331
Culture and Recreation	38,566	-	38,566
Employee Benefits	23,540	-	23,540
Total Assigned to:	<u>282,899</u>	<u>187,070</u>	<u>469,969</u>
Unassigned	<u>4,564,154</u>	<u>-</u>	<u>4,564,154</u>
Total Fund Balances	<u>\$ 5,806,367</u>	<u>\$ 7,661,554</u>	<u>\$13,467,921</u>

Stabilization Fund

The Town has established a stabilization fund in accordance with Massachusetts General Laws Chapter 40 Section 5B. That section of the law stipulates that "cities, towns and districts may appropriate in any year an amount not exceeding, in the aggregate, 10 per cent of the amount raised in the preceding fiscal year by taxation of real estate and tangible personal property or such larger amount as may be approved by the director of accounts. The aggregate amount in such

funds at any time shall not exceed 10 per cent of the equalized valuation of the city or town as defined in section 1 of chapter 44. Any interest shall be added to and become part of the fund”.

“The treasurer shall be the custodian of all such funds and may deposit the proceeds in national banks or invest the proceeds by deposit in savings banks, co-operative banks or trust companies organized under the laws of the commonwealth, or invest the same in such securities as are legal for the investment of funds of savings banks under the laws of the commonwealth or in federal savings and loans associations situated in the commonwealth”.

“At the time of creating any such fund the city, town or district shall specify, and at any later time may alter, the purpose of the fund, which may be for any lawful purpose, including without limitation an approved school project under chapter 70B or any other purpose for which the city, town or district may lawfully borrow money. Such specification and any such alteration of purpose, and any appropriation of funds into or out of any such fund, shall be approved by two-thirds vote, except as provided in paragraph (g) of section 21C of chapter 59 for a majority referendum vote. Subject to said section 21C, in a town or district any such vote shall be taken at an annual or special town meeting and in a city any such vote shall be taken by city council”.

The Town’s stabilization fund has a current balance of \$3,216,721. The stabilization fund is reported as a component of unassigned fund balance in the general fund on the Town’s balance sheet.

- (I) Assets, Liabilities and Fund Equity
 - i) Cash and Investments

Deposits

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does have a formal deposit policy for custodial credit risk. As of June 30, 2020, \$305,885 of the Town's bank balance of \$8,184,717 was exposed to credit risk as follows:

Uninsured and Uncollateralized \$ 305,885

This represents the net cash position after FDIC insurance offset, comprising five different accounts at a Green (lowest risk) Veribanc rated institution. Century Bank is the only depository limited to just FDIC insurance, however they provide both the Town’s lock-box accounts (General Fund and GELD), and are very important.

Investments

According to GASB Statement No. 40 - "Deposit and Investment Risk Disclosures", disclosures must be made for certain investments that have fair values that are highly sensitive to changes in interest rates. As of June 30, 2020, the Town of Groton's investments that are required to be disclosed in accordance with GASB Statement No. 40, are noted below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>5-10</u>
U. S. Government Obligations	\$ 2,252,034	\$ 1,232,588	\$ 1,013,033	\$ 6,413
Corporation Bonds	2,377,904	701,237	1,676,667	-
Money Markets	30,847	30,847	-	-
Certificate of Deposit	1,106,359	293,278	813,081	-
Equities	1,064,952	1,064,952	-	-
State Treasurer's Investment Pool and Other	<u>17,424,114</u>	<u>17,424,114</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 24,256,210</u>	<u>\$ 20,747,016</u>	<u>\$ 3,502,781</u>	<u>\$ 6,413</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town follows the legal listing set by the state to purchase its investments.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town has a formal policy for the trust funds that limits the amount it may invest in a single issuer (State law limits the amount that may be deposited in a financial institution without collateralization). Ten percent of the Town's investments are in U.S. Government Obligations.

Fair Value Measurement

Statement #72 of the Government Accounting Standards Board ("GASB") *Fair Value Measurements and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Town has the ability to access.

Level 2 -Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the Towns' own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Town's own data.

The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town chooses a tabular format for disclosing the levels within the fair value hierarchy.

The Town has the following recurring fair value measurements as of June 30, 2020:

	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u> Quoted Prices in Active Markets for <u>Identical Assets</u>	<u>Level 2</u> Significant Other Observable <u>Inputs</u>	<u>Level 3</u> Significant Unobservable <u>Inputs</u>
Investment by Fair Value Level:				
U. S. Treasuries	\$ 2,252,034	\$ 2,252,034	\$ -	\$ -
Corporate Bonds	2,377,904	-	2,377,904	-
Money Market Mutual Funds	30,847	30,847	-	-
Common Stock	1,064,952	1,064,952	-	-
Total Assets in the Fair Value Hierarchy	<u>5,725,737</u>	<u>\$ 3,347,833</u>	<u>\$ 2,377,904</u>	<u>\$ -</u>
Investment Not Subject to Fair Value Hierarchy reporting:				
Certificates of Deposit	1,106,359			
State Treasurer's Investment Pool and Other	<u>17,424,114</u>			
Total Investments	<u>\$ 24,256,210</u>			

The investments classified in Level 1 of the fair value hierarchy were valued using prices quoted in active markets for those securities.

ii) Property Taxes

The Town's fiscal year runs from July 1 to June 30. Taxes are levied to the owner of record on the preceding January 1. The Town bills property taxes on a quarterly basis. Quarterly payments are due on August 1, November 1, February 1 and May 1. Property taxes attach as enforceable liens on property as of July 1 of the next fiscal year.

The Town is permitted under state law to levy property taxes up to 2.5% of the full and fair cash value of the property. In addition, the law limits the amount by which property tax assessments can be increased to 2.5% of the preceding year's assessment plus any new growth.

iii) Warrants Payable

This account consists of those warrants approved by the Town Accountant for payment between July 1 and July 15. These warrants have been recorded as expenditures during the current fiscal year and the corresponding credit is to the account entitled warrants payable.

(J) Interfund Transfers, Compensated Absences, Long Term Obligations, Estimates and Total Columns

i) Interfund Transfers

The accompanying financial statements reflect transactions between the various funds. These transactions represent operating transfers and do not constitute revenues nor expenditures of the funds.

Operating transfers - by fund - are detailed below:

	Transfers <u>In</u>	Transfers <u>(Out)</u>	<u>Total</u>
General	\$ 360,000	\$ (159,471)	\$ 200,529
Non-Major Governmental	615,289	(815,818)	(200,529)
Total	<u>\$ 975,289</u>	<u>\$ (975,289)</u>	<u>\$ -</u>

ii) Compensated Absences

The liabilities for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual vacation and sick leave benefits. The liabilities have been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination.

iii) Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial statements and in the fund financial statements for proprietary fund types.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financial sources. Issuance costs are reported as debt service expenditures.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Total Column

Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

(K) Pension Plans

a. General Information about the Pension Plan

Plan Description

The Town provides pension benefits to eligible employees by contributing to the Middlesex County Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Middlesex County Retirement System. The System is administered by a five member board on behalf of all eligible current employees and retirees. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The system is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (M.G.L.). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Middlesex County Retirement System issues a stand-alone financial report that is available to the public at <https://middlesexretirement.org/wp-content/uploads/2020/08/FINAL-Audit-Report-Middlesex-Retirement-12-31-2019.pdf> or by writing to the Middlesex County Retirement System, 25 Linnell Circle, P.O. Box 160, Billerica, Massachusetts 01865.

Benefits Provided

The Middlesex County Retirement System provides retirement, disability and death benefits as detailed below:

Retirement Benefits

Employees covered by the Contributory Retirement Law are classified into one of four groups depending on job classification. Group 1 comprises most positions in state and local government. It is the general category of public employees. Group 4 comprises mainly police and firefighters. Group 2 is for other specified hazardous occupations. (Officers and inspectors of the State Police are classified as Group 3).

For employees hired prior to April 2, 2012, the annual amount of the retirement allowance is based on the member's final three-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and multiplied by a percentage according to the table below based on the age of the member at retirement.

<u>Benefit %</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Group 4</u>
	<u>Hired on or before April 1 2012</u>		
2.50%	65+	60+	55+
2.40%	64	59	54
2.30%	63	58	53
2.20%	62	57	52
2.10%	61	56	51
2.00%	60	55	50
1.90%	59	N/A	49
1.80%	58	N/A	48
1.70%	57	N/A	47
1.60%	56	N/A	46
1.50%	55	N/A	45

For employees hired on April 2, 2012 or later, the annual amount of the retirement allowance is based on the member's final five-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and multiplied by a percentage according to the tables below based on the age and years of creditable service of the member at retirement:

<u>Benefit %</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Group 4</u>
	<u>Hired on after April 1 2012</u>		
2.50%	67+	62+	57+
2.35%	66	61	56
2.20%	65	60	55
2.05%	64	59	54
1.90%	63	58	53
1.75%	62	57	52
1.60%	61	56	51
1.45%	60	55	50

For all employees, the maximum annual amount of the retirement allowance is 80 percent of the member's final average salary. Any member who is a veteran also receives an additional yearly retirement allowance of \$15 per year of creditable service, not exceeding \$300. The veteran allowance is paid in addition to the 80 percent maximum.

Retirement Benefits - Superannuation

Members of Group 1, 2 or 4 hired prior to April 2, 2012 may retire upon the attainment of age 55. For retirement at ages below 55, twenty years of creditable service is required.

Members hired prior to April 2, 2012 who terminate before age 55 with ten or more years of creditable service are eligible for a retirement allowance upon the attainment of age 55 (provided they have not withdrawn their accumulated deductions from the Annuity Savings Fund of the System).

Members of Group 1 hired April 2, 2012 or later may retire upon the attainment of age 60. Members of Group 2 or 4 hired April 2, 2012 or later may retire upon the attainment of age 55. Members of Group 4 may retire upon attainment of age 50 with ten years of creditable service.

Members hired April 2, 2012 or later who terminate before age 55 (60 for members of Group 1) with ten or more years of creditable service are eligible for a retirement allowance upon the attainment of age 55 (60 for members of Group 1) provided they have not withdrawn their accumulated deductions from the Annuity Savings Fund of the System.

Ordinary Disability Benefits

A member who is unable to perform his or her job due to a non-occupational disability will receive a retirement allowance if he or she has ten or more years of creditable service and has not reached age 55. The annual amount of such allowance shall be determined as if the member retired for superannuation at age 55 (age 60 for Group 1 members hired on or after April 2, 2012), based on the amount of creditable service at the date of disability. For veterans, there is a minimum benefit of 50 percent of the member's most recent year's pay plus an annuity based on his or her own contributions.

Accidental Disability Benefit

For a job-connected disability, the benefit is 72 percent of the member's most recent annual pay plus an annuity based on his or her own contributions, plus additional amounts for surviving children. Benefits are capped at 75 percent of annual rate of regular compensation for employees who become members after January 1, 1988.

Death Benefits

In general, the beneficiary of an employee who dies in active service will receive a refund of the employee's own contributions. Alternatively, if the employee were eligible to retire on the date of death, a spouse's benefit will be paid equal to the amount the employee would have received under Option C. The surviving spouse of a member who dies with two or more years of credited service has the option of a refund of the employee's contributions or a monthly benefit regardless of eligibility to retire, if they were married for at least one year. There is also a minimum widow's pension of \$500 per month, and there are additional amounts for surviving children.

If an employee's death is job-connected, the spouse will receive 72 percent of the member's most recent annual pay, in addition to a refund of the member's accumulated deductions, plus additional amounts for surviving children. However, in accordance with Section 100 of Chapter 32, the surviving spouse of a police officer, firefighter or corrections officer who is killed in the line of duty will be eligible to receive an annual benefit equal to the maximum salary held by the member at the time of death. Upon the death of a job-connected disability retiree who retired prior to November 7, 1996 and could not elect an Option C benefit, a surviving spouse

will receive an allowance of \$9,000 per year if the member dies for a reason unrelated to cause of disability.

Contributions

Active members of the Middlesex County Retirement System contribute either 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The Town is required to pay an actuarially determined rate. The contribution requirement of plan members is determined by M.G.L. Chapter 32. The contribution requirements are established by and may be amended by the Middlesex County Retirement System with the approval of the Public Employee Retirement Administration Commission.

The Town's contractually required contribution rate for the year ended June 30, 2020 was 24.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$1,973,053 for the year ending June 30, 2020.

b. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the Town reported a liability of \$25,513,416 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Accordingly, update procedures were utilized to roll back the liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2019, the Town's proportion was 1.594533%.

The portion of the Net Pension Liability and related GASB 68 pension amounts for the Town of Groton's Electric Light Enterprise Fund (GELD), are reflected in the GELD financial statements (which are reported as of December 31, 2019). However, the Net Pension Liability and related GASB 68 pension amounts are reflected here in the June 30, 2020 Notes to the Financial Statements.

Chapter 176 of the Acts of 2011 was incorporated in this valuation, which changes many of the benefit features for members hired on or after April 2, 2012. In addition, the COLA base was increased to \$15,000 effective July 1, 2014.

Costs related to the Town's pension assessment are charged to the Town's enterprise funds by way of direct or indirect charges. As a result the pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions were allocated to the enterprise funds.

For the year ended June 30, 2020, the Town recognized pension expense of \$3,771,182. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 620,794	\$ (57,782)
Net differences between projected and actual investment earnings on pension plan investments	-	(662,071)
Change in assumptions	1,757,009	-
Changes in proportion and differences between contributions and proportionate share of contributions	1,421,500	(599,117)
Contributions subsequent to the measurement date	-	-
	<u>\$ 3,799,303</u>	<u>\$ (1,318,970)</u>

Contributions made subsequent to the measurement date (deferred outflows of resources) are recognized as a reduction of the net pension liability in the next fiscal year. The Town did not have any deferred outflows of resources for contributions made subsequent to the measurement date. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Amount
2021	\$ 921,879
2022	552,548
2023	726,736
2024	279,170
Total	<u>\$ 2,480,333</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2019:

Valuation date	January 1, 2020
Actuarial Cost Method	Entry age normal cost method
Amortization Method	Prior year's total contribution increased by 6.5% for fiscal year 2020 through fiscal year 2027, and thereafter the remaining unfunded liability will be amortized on a 4.0% annual increasing basis; ERI Liability amortized in level payments.
Remaining Amortization Period	17 years from July 1, 2018 for non-ERI liability, 1 year from July 1, 2018 for 2002 ERI, 2 years from July 1, 2018 for 2033 ERI, and 4 years from July 1, 2018 for 2010 ERI.
Asset Valuation Method	The difference between the expected return and the actual investment return on a market value basis is recognized over a five-year period. Asset value is adjusted, as necessary, to be within 20% of market value.
Investment Rate of Return/Discount Rate	7.3% net of pension plan investment expense, including inflation (7.5% in previous valuation)
Inflation Rate	3.25% (3.25% in previous valuation)
Projected Salary Increases	Varies by length of service with ultimate rates of 4.00% for Group 1, 4.25% for Group 2 and 4.50% for Group 4
Cost of Living Adjustments	3.00% of first \$16,000 of retirement income as of July 1, 2019

Mortality Rates were based on the tables noted below:

Healthy:

Pre-Retirement	The RP-2014 Blue Collar Mortality Table projected generationally with Scale MP-2017
Healthy Retiree	The RP-2014 Blue Collar Health Annuitant Mortality Table projected generationally with Scale MP-2017
Disabled	The RP-2014 Blue Collar Health Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017

In performing the actuarial valuation, various assumptions are made regarding mortality, retirement, disability and withdrawal rates as well as salary increases and investment returns. A comparison of the results of the current valuation and the prior valuation is made to determine how closely actual experience relates to expected. The RP-2000 Employee Mortality Table projected 22 years with Scale AA and the RP-2000 Healthy Annuitant Mortality Table projected 17 years with Scale AA were determined to contain provisions appropriate to reasonably reflect future mortality improvement, based on a review of the mortality experience of the plan.

Changes in Assumptions and Plan Provisions

The following assumption changes were reflected in the January 1, 2020 actuarial valuation:

Changes in Assumptions

- The net investment rate of return assumption was reduced from 7.50% to 7.30%.

Changes in Plan Provisions

- As permitted by Section 19 of Chapter 188 of the Acts of 2010, the Cost of Living Adjustment base was increased from \$14,000 to \$16,000 as of July 1, 2019.

Investment Policy

The pension plan's policy in regard to the allocation of invested assets is established by PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	<u>Target Allocation</u>	<u>Long Term Expected Rate of Return</u>
Domestic Equity	21.00%	6.15%
International Developed Markets Equity	13.00%	6.78%
International Emerging Markets Equity	5.00%	8.65%
Core Fixed Income	15.00%	1.11%
High-yield Fixed Income	8.00%	3.51%
Real Estate	10.00%	4.33%
Commodities	4.00%	4.13%
Hedge Funds, GTAA, Risk Parity	11.00%	3.19%
Private Equity	13.00%	9.99%
	<u>100.00%</u>	

Electric:	<u>Target Allocation</u>	<u>Long Term Expected Rate of Return</u>
Domestic Equity	17.00%	7.62%
International Developed Markets Equity	14.90%	7.80%
International Emerging Markets Equity	6.00%	9.31%
Core Fixed Income	13.00%	4.00%
Value-added Fixed Income	8.10%	7.58%
Private Equity	12.10%	11.15%
Real Estate	9.40%	6.59%
Timberland	4.10%	7.00%
Hedge Funds / PCS	14.20%	6.83%
Liquidating Portfolios	0.30%	0.00%
Overlay	0.90%	0.00%
	<u>100.00%</u>	

Rate of Return

The annual money-weighted rate of return on pension plan investments for December 31, 2019 (net of investment expenses) was 16.21% (negative 2.52% for December 31, 2018). The money-weighted rate of return expresses investment performance, net of pension plan investment expense, is adjusted for the changing amounts actually invested, measured monthly.

Discount Rate

The discount rate used to measure the total pension liability was 7.3% (7.5% in the previous valuation). The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the Middlesex County Retirement System contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Middlesex County Retirement System, calculated using the discount rate of 7.3%, as well as what the Middlesex County Retirement System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.3%) or 1-percentage-point higher (8.3%) than the current rate:

	1% Decrease <u>(6.3%)</u>	Discount Rate <u>(7.3%)</u>	1% Increase <u>(8.3%)</u>
Town's proportionate share of the Net Pension Liability	\$26,642,156	\$21,679,311	\$17,503,204
	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Electric Light Department's share of the Net Pension Liability	\$5,884,159	\$4,850,736	\$3,979,407

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued Middlesex County Retirement System financial report. The System issues a stand-alone financial report is available that can be obtained through the System’s website at <https://middlesexretirement.org/wp-content/uploads/2020/08/FINAL-Audit-Report-Middlesex-Retirement-12-31-2019.pdf>

c. Payables to the Pension Plan

As of June 30, 2020, the Town did not have any payables due to the Middlesex County Retirement System.

(L) Other Postemployment Benefits (OPEB) Disclosures

Summary of Significant Accounting Policies (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Town’s Plan and additions to/deductions from Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

General Information About the Plan

Plan Description

Plan Administration: The Town administers all activity related to the other post-employment benefits plan - a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all eligible employees of the Town. Management of the plan is vested in the Town’s Treasurer. The Town’s Board of Selectmen has the authority to establish and amend benefit terms.

Plan Membership: At June 30, 2020, the plans membership consisted of the following for the Town:

Inactive plan members or beneficiaries currently receiving benefit payments	52
Active Plan Members	<u>98</u>
Total	<u>150</u>

Plan Membership: The plans membership consisted of the following for the Electric Light Department (GASB74):

Inactive plan members or beneficiaries currently receiving benefit payments	8
Active Plan Members	<u>12</u>
Total	<u>20</u>

Benefits Provided: The Town provides retired employees and their spouses and dependents with payments for a portion of their health care and life insurance benefits. Benefits are provided through a third-party insurer.

Contributions. The Town pays 70% of the premiums for the active employees and 65% for the retirees for health insurance, and 50% of the premiums for both the active employees and retirees for life insurance, with the employees/retirees paying the remaining percentage. Benefits paid by the Town are on a pay-as-you-go basis. The contribution requirements of plan members and the Town are established and may be amended from time to time. For the year ended June 30, 2020, the Town’s average contribution rate was 3.13% of covered payroll.

Net OPEB Liability (Except Electric Light Department)

The Town’s net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Total OPEB Liability	\$9,435,692
Plan Fiduciary Net Position	<u>(398,607)</u>
Net OPEB Liability	<u><u>\$9,037,085</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 4.22%

Electric Light

Electric Light Department GASB 74

Total OPEB Liability	\$1,470,289
Plan Fiduciary Net Position	<u>(1,386,599)</u>
Net OPEB Liability	<u><u>\$83,690</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 94.31%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

<u>Notes to Schedule</u>	<u>Town</u>	<u>Light</u>
Valuation date	7/1/2019	1/1/2018
Actuarial cost method	Individual Entry Age Normal	Individual Entry Age Normal
Asset valuation method	Market Value of Assets as of 6/30/2020	Market Value of Asset as of 12/31/2019
Inflation	2.50%	2.50%
Salary increases	3% as of 6/30/2019 and for future periods	3.0% annually
Investment rate of return	6.53%, net of OPEB plan investment expense, including inflation	5.72%, net of investment expenses, including inflation
Municipal Bonds Rate	2.66% as of 6/30/2020	3.26% as of December 31, 2019 (source: S&P Municipal Bond 20-Year High Grade Index)
Pre-Retirement Mortality:	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females	RP-200 Employees Mortality Table projected generationally with Scale BB and a base year 2009 for males and females.
Post-Retirement:	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females
Disabled:	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females	RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2009 for males and females

Investments

Investment Policy: The plan's policy in regard to the allocation of invested assets is approved and may be amended by the Treasurer with the approval of the Selectmen. The policy pursues an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation

percentage and by adding expected inflation. The target allocations and best estimates of arithmetic real rates of return for each major asset class summarized in the target asset allocation as of June 30, 2020, are summarized in the table below:

	Electric Light Department			
	Target	Long Term	Target	Long Term
	<u>Allocation</u>	<u>Expected Rate</u>	<u>Allocation</u>	<u>Expected Rate</u>
		<u>of Return</u>		<u>of Return</u>
Domestic Equity - Large Cap	30.25%	4.80%	23.25%	4.80%
Domestic Equity - Small/Mid Cap	16.00%	5.29%	19.25%	5.29%
International Equity - Developed Market	6.25%	5.45%	7.50%	5.45%
International Equity - Emerging Market	3.25%	6.42%	0.00%	6.42%
Domestic Fixed Income	18.25%	2.05%	45.00%	2.05%
International Fixed Income	9.00%	3.00%	0.00%	3.00%
Alternatives	4.50%	6.50%	0.00%	6.50%
Real Estate	8.00%	6.25%	0.00%	6.25%
Cash	4.50%	0.00%	5.00%	0.00%
	<u>100.00%</u>		<u>100.00%</u>	

Concentrations

The OPEB plan did not hold investments in any one organization that represent 5% or more of the OPEB plan's fiduciary net position.

Rate of Return

For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 4.31%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate: The discount rate used to measure the total OPEB liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that Town contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net OPEB <u>Liability</u>
Balances on 7/1/2019	\$9,054,108	\$213,716	\$8,840,392
Changes for the Year:			
Service Cost	286,592	-	286,592
Interest	550,245	-	550,245
Change in Assumptions	(887,465)	-	(887,465)
Differences Between Actual and Expected Experience	777,133		777,133
Contributions - Employer	-	513,921	(513,921)
Net Investment Income	-	15,891	(15,891)
Benefit Payments	(344,921)	(344,921)	-
Administrative Expense	-	-	-
Net Changes	<u>381,584</u>	<u>184,891</u>	<u>196,693</u>
Balances on 6/30/2020	<u>\$9,435,692</u>	<u>\$398,607</u>	<u>\$9,037,085</u>

Sensitivity of the net OPEB liability to changes in the discount rate: The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	Decrease <u>5.50%</u>	Rate <u>6.50%</u>	Increase <u>7.50%</u>
Net OPEB Liability (asset)	\$10,749,408	\$9,037,085	\$7,860,526

Electric Light Department

	1% Decrease <u>4.75%</u>	Discount Rate <u>5.75%</u>	1% Increase <u>6.75%</u>
Net OPEB Liability (asset)	\$342,132	\$83,690	(\$121,189)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates: The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease <u>5.50%</u>	Healthcare Trend Rates <u>6.50%</u>	1% Increase <u>7.50%</u>
Net OPEB Liability (asset)	\$7,834,799	\$9,037,085	\$10,519,482

Electric Light Department

	1% Decrease	Healthcare Trend Rates	1% Increase
	<u>4.00%</u>	<u>5.00%</u>	<u>6.00%</u>
Net OPEB Liability (asset)	(\$269,630)	\$83,690	\$548,401

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the Town recognized OPEB expense of \$299,267. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>TOWN</u>		<u>GELD</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,150,313	\$ -	\$ -	\$ (1,952)
Change in assumptions	-	(2,196,481)	47,911	-
Net differences between projected and actual earnings of OPEB plan investments	2,796	(1,615)	64,182	(109,128)
Contributions subsequent to the measurement date	-	-	-	-
	<u>\$ 2,153,109</u>	<u>\$ (2,198,096)</u>	<u>\$ 112,093</u>	<u>\$ (111,080)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>TOWN</u>		<u>GELD</u>	
	Year ended June 30:	Amount	Year ended December 31:	Amount
If deferred inflow, it should be negative	2021	\$ (4,263)	2020	\$ 2,509
	2022	(4,263)	2021	2,509
	2023	(4,264)	2022	2,509
	2024	(5,830)	2023	(18,885)
	2025	(16,793)	2024	8,655
	Thereafter	<u>(9,574)</u>	2025	<u>3,716</u>
	Total	<u>\$ (44,987)</u>	Total	<u>\$ 1,013</u>

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the accompanying financial statements.

Funded Status and Funding Progress

Electric Light Department

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members). The projections consider the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Electric Light Department

In the January 1, 2018, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 5.72% investment rate of return and an annual healthcare cost trend rate of 5%. The actuarial value of assets was determined using market value. The UAAL is being amortized over a thirty year closed amortization period.

(A) Assets (Continued)

Excise Taxes Receivable:

Motor Vehicle Excise Tax

2020	\$177,444	
2019	17,758	
2018	7,582	
2017	5,133	
2016	3,547	
2015	2,643	
2014	2,760	
2013	3,592	
2012	3,678	
2011	1,970	
2010	3,147	
2009	3,279	
2008	3,025	
2007	2,897	
2006	4,256	
Total Motor Vehicle Excise Tax	<u> </u>	<u>\$242,711</u>

Boat Excise Tax

2018	2,798	
2017	87	
Total Boat Excise Tax	<u> </u>	<u>2,885</u>

Total Excise Receivable \$245,596

Departmental - Ambulance \$370,316

Intergovernmental:

Due from Commonwealth of Massachusetts

Other State Grant	\$12,100	
Massachusetts Highway	482,681	
Total Intergovernmental	<u> </u>	<u>\$494,781</u>

Deferred Property Tax \$209,566

Special Assessments:

Septic Betterments \$1,003

(A) Assets (Continued)

Enterprise Fund

Current:

User Charges

Electric	\$ 1,046,980	
Sewer	39,275	
Water	63,715	
Total User Charges		<u>\$1,149,970</u>

Special Assessments:

Sewer - Current	\$ 2,078	
Sewer - Noncurrent	130,095	
Total Special Assessments		<u>\$132,173</u>

(B) Liabilities

i Short Term Notes Payable

The Town had various short term notes outstanding during the fiscal year ended June 30, 2020, as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Balance Beginning of Year</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance End of Year</u>	<u>Maturity Date</u>
<u>Governmental Activities:</u>						
Joint Radio Project	1.50%	\$ 509,286	\$ 424,112	\$ 509,286	\$ 424,112	2/21/2021
Highway Equipment	1.50%	250,319	176,022	250,319	176,022	2/21/2021
Total Governmental		<u>\$ 759,605</u>	<u>\$ 600,134</u>	<u>\$ 759,605</u>	<u>\$ 600,134</u>	
<u>Business-type Activities:</u>						
Water Well Improvement	1.50%	\$ 280,880	\$ 243,320	\$ 280,880	\$ 243,320	2/21/2021
Total Business-type		<u>\$ 280,880</u>	<u>\$ 243,320</u>	<u>\$ 280,880</u>	<u>\$ 243,320</u>	

(B) Liabilities

ii Long Term Debt

General obligation bonds outstanding at June 30, 2020, bear interest at various rates.

(a) Changes in Long Term Debt - the following is a summary of bond transactions for the year ended June 30, 2020:

Governmental Activities:

General Obligation Bond

	<u>Sale Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturities</u>	<u>Final Maturity</u>	<u>Balance July 1, 2019</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2020</u>
Bernier/Bissell Property	7/15/2001	\$ 850,000	4.50%	7/15/2019	\$ 41,170	\$ -	\$ 41,170	\$ -
Bissell Property	7/15/2001	1,075,000	4.50%	7/15/2019	51,570	-	51,570	-
Gibbett Hill Conservation Rest	11/15/2003	3,000,000	2.80%	11/1/2022	560,000	-	145,000	415,000
Lost Lake Fire Station Remodel	11/15/2003	1,450,000	2.81%	11/1/2022	285,000	-	75,000	210,000
Norris Property	7/15/2001	750,000	4.50%	7/15/2019	37,100	-	37,100	-
Project Eval Report MWPAT - Town	11/6/2003	330,000	5.00%	8/1/2023	73,000	-	14,600	58,400
Shattuck Property	7/15/2001	500,000	4.50%	7/15/2019	24,650	-	24,650	-
Title Five paid out from fund #29	8/1/2002	197,403	5.50%	8/1/2023	20,600	-	10,400	10,200
Land Acquisition - Lot 1, 6A & 6B, 7, & 8	7/1/2007	5,015,000	4.75%	12/15/2021	1,110,000	-	445,000	665,000
Fire Station	4/18/2013	7,730,000	2.75%	6/1/2035	6,010,000	-	330,000	5,680,000
Senior Center	11/27/2018	5,130,000	3.75%	6/30/2039	5,130,000	-	215,000	4,915,000
Lost Lake	11/27/2018	1,375,000	3.75%	6/30/2039	1,375,000	-	70,000	1,305,000
Ladder Truck	11/27/2018	875,000	3.75%	6/30/2038	875,000	-	50,000	825,000
DPW Facilities Upgrade	2/20/2020	4,307,000	5.00% - 2.00%	2/15/2040	-	4,307,000	-	4,307,000
Library Roof Repairs	2/20/2020	1,055,000	5.00% - 2.00%	2/15/2040	-	1,055,000	-	1,055,000
Fire Truck	2/20/2020	473,000	5.00% - 2.00%	2/15/2039	-	473,000	-	473,000
				Total Governmental Activities	\$ 15,593,090	\$ 5,835,000	\$ 1,509,490	\$ 19,918,600

Business Type Activities:

General Obligation Bond

Sewer Betterment - Boston Rd	4/1/2008	310,940	4.50%	10/1/2025	\$ 116,564	\$ -	\$ 16,648	\$ 99,916
Sewer Betterment - Old Ayer Rd	4/1/2008	155,960	4.50%	10/1/2025	58,436	-	8,352	50,084
MWPAT - Sewer	11/6/2003	330,000	5.00%	8/1/2023	27,000	-	5,400	21,600
G.E.L.D. Transformer	7/15/2001	750,000	4.50%	7/15/2019	35,510	-	35,510	-
G.E.L.D. Building Construction	8/1/2014	2,000,000	2.80%	11/1/2033	1,665,000	-	90,000	1,575,000
MWPAT	12/14/2006	1,234,434	2.00%	7/15/2026	554,571	-	64,567	490,004
Water System Upgrade	11/23/2004	4,417,366	5.00%	8/1/2024	1,675,000	-	255,000	1,420,000
				Total Business Type Activities	\$ 4,132,081	\$ -	\$ 475,477	\$ 3,656,604

(B) Liabilities (Continued)

(b) Summary of Debt Service Requirements to Maturity

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$1,629,800	\$618,371	\$451,271	\$118,262
2022	1,429,600	565,146	467,602	99,740
2023	1,214,600	521,136	483,959	79,739
2024	1,014,600	488,215	495,345	58,962
2025	1,145,000	458,265	501,358	40,721
2026-2030	5,990,000	1,627,450	737,069	131,428
2031-2035	4,910,000	708,731	520,000	34,287
2036-2040	<u>2,585,000</u>	<u>171,510</u>	<u>0</u>	<u>0</u>
	<u>\$19,918,600</u>	<u>\$5,158,824</u>	<u>\$3,656,604</u>	<u>\$563,139</u>

(c) Bond Authorizations

Long-term debt authorizations voted by the Town which have not been issued or rescinded as of June 30, 2020, are summarized as follows:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
April 27, 2015	Joint Radio Project	\$424,112
April 27, 2015	Lost Lake Fire Protection	118,164
May 4, 2015	Four Corners Sewer Project	1,166,666
October 17, 2016	Well Improvement	243,320
April 30, 2018	Highway Dump Truck	111,064
April 30, 2018	Highway Tractor Trailer	64,958
April 30, 2018	Senior Center Construction	86,000
April 29, 2019	DPW Garage/Improvements	313,250
April 29, 2019	Library Roof Repair	76,041
April 29, 2019	Fire Department Equipment Ladde	<u>1,000</u>
	Total	<u>\$2,604,575</u>

iii Refunding of Long Term Debt
Current Refunding

On August 1, 2014, the Town issued \$1,860,000 of General Obligations Refunding Bonds with an average interest rate of 2.80% to advance refund \$1,910,000 of outstanding debt with average interest rates of 4.26% to 4.35%. The net proceeds (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased.

<u>Fiscal Year</u>	<u>Existing Debt Principal & Interest</u>	<u>Refunding Bonds Principal & Interest</u>
2021	\$ 249,356	\$ 225,600
2022	239,738	219,300
2023	<u>229,950</u>	<u>208,075</u>
	<u>\$719,044</u>	<u>\$652,975</u>

(B) Liabilities (Continued)

Economic Gain from Refunding Issue

The total net present value benefit as a result of the refunding issues is \$172,470.

iv Changes in Long Term Debt

Changes in the government's long-term liabilities for the year ended June 30, 2020 are as follows:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Current Portion
<u>Governmental Activities</u>					
Bonds Payable	\$ 15,593,090	\$ 5,835,000	\$ (1,509,490)	\$ 19,918,600	\$ 1,629,800
Add: Unamortized Premium	320,088	429,180	(26,176)	723,092	47,635
Total Bonds Payable	<u>15,913,178</u>	<u>6,264,180</u>	<u>(1,535,666)</u>	<u>20,641,692</u>	<u>1,677,435</u>
Lease Payable	9,715	-	(4,782)	4,933	-
Compensated Absences	453,960	192,348	(90,792)	555,516	-
Landfill Closure Costs	609,831	-	(6,713)	603,118	10,200
Net Pension Liability	18,247,436	6,693,737	(4,925,481)	20,015,692	-
Other Post Employment Benefits	<u>8,369,684</u>	<u>525,221</u>	<u>(937,815)</u>	<u>7,957,090</u>	-
Total Governmental Activities	<u>\$ 43,603,804</u>	<u>\$ 13,675,486</u>	<u>\$ (7,501,249)</u>	<u>\$ 49,778,041</u>	<u>\$ 1,687,635</u>
<u>Business Type Activities</u>					
Bonds Payable	\$ 4,132,081	\$ -	\$ (475,477)	\$ 3,656,604	\$ 451,271
Add: Unamortized Premium	<u>46,953</u>	-	<u>(3,013)</u>	<u>43,940</u>	-
Total Bonds Payable	<u>4,179,034</u>	-	<u>(478,490)</u>	<u>3,700,544</u>	<u>451,271</u>
Compensated Absences	35,268	11,448	(7,054)	39,662	-
Net Pension Liability	5,858,979	3,363,616	(2,708,241)	6,514,354	-
Other Post Employment Benefits	<u>610,691</u>	<u>1,197,955</u>	<u>(644,961)</u>	<u>1,163,685</u>	-
Total Business Type Activities	<u>\$ 10,683,972</u>	<u>\$ 4,573,019</u>	<u>\$ (3,838,746)</u>	<u>\$ 11,418,245</u>	<u>\$ 451,271</u>

IV. Significant Commitments

Encumbrances

Encumbrances for open purchase are reported as Assigned Fund Balance unless the resources have already been restricted, committed or assigned for another purpose.

V. Subsequent Year Authorizations

The Town (including the Towns enterprise funds) adopted a fiscal 2021 operating and capital budget of \$45,235,311. Fiscal 2021 budgetary amounts which are not reflected in the accompanying financial statements will be financed by the following sources:

Property Taxes, State Aid and Non-Property Tax Revenue	\$ 39,763,113
Enterprise and Community Preservation Funds	3,898,779
Other Available Funds	<u>1,573,419</u>
Total	<u>\$ 45,235,311</u>

VI. Landfill Closure and Post Closure Care Costs

As of June 30, 2020, the closure of the Town's landfill was effectively complete. In accordance with laws and regulations issued by the Massachusetts Department of Environmental Protection, the Town has capped the landfill. These laws also require the Town to perform certain maintenance and monitoring functions at the site for thirty years after the landfill is capped and closed. The Town estimates the closure and post closure care costs to be approximately \$603,118. The potential exists for changes to the estimates due to inflation or deflation, technology or applicable laws and regulations.

VII. Prior Period Adjustment

The prior period adjustment of (\$269,232) shown in the financial statements relates to debt premiums.

VIII. Implementation of New GASB Pronouncements

During fiscal year 2020, the Town was not required to implement any new GASB pronouncements. The Town early implemented GASB Statement No. 84 in fiscal year 2019.

The following GASB pronouncements will be implemented in future fiscal years:

- Statement No. 87, Leases which is effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter.
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period which is effective for reporting periods beginning after December 16, 2020.
- Statement No. 90 Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61 which is effective for reporting periods beginning after December 15, 2019.
- Statement No. 91, Conduit Debt Obligations which is effective for reporting periods beginning after December 15, 2021.
- Statement No. 92 Omnibus 2020, paragraphs 6 and 7 - fiscal years beginning after June 15, 2021; paragraphs 8, 9, and 12 - reporting periods beginning after June 15, 2021 and paragraph 10 - government acquisitions occurring in reporting periods beginning after June 15, 2021.
- Statement No. 93 Replacement of Interbank Offered Rates the requirements, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021, and all reporting periods thereafter.

- Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* which is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- Statement No. 96 *Subscription-Based Information Technology Arrangements* which is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

Management is currently assessing the impact that the implementation of these pronouncements will have on the basic financial statements.

***REQUIRED
SUPPLEMENTARY
INFORMATION***

Town of Groton, Massachusetts
Required Supplementary Information
General Fund
Statement of Revenues and Expenditures - Budget and Actual
Fiscal Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Budgetary Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property Taxes	\$ 33,424,935	\$ 33,520,928	\$ 33,332,029	\$ (188,899)
Excises	1,777,642	1,777,642	1,936,392	158,750
Penalties, Interest on Taxes and Excises	90,000	90,000	87,402	(2,598)
In Lieu of Taxes	260,000	260,000	242,168	(17,832)
Charges for Services	614,575	614,575	129,219	(485,356)
Other Departmental	1,012,000	1,012,000	1,414,869	402,869
Licenses and Permits	300,000	300,000	455,235	155,235
Fines and Forfeits	25,000	25,000	27,404	2,404
Earnings on Investments	40,000	40,000	44,398	4,398
Intergovernmental	953,054	953,054	1,014,442	61,388
Miscellaneous	1,263	1,263	8,832	7,569
Total Revenues	<u>38,498,469</u>	<u>38,594,462</u>	<u>38,692,390</u>	<u>97,928</u>
<u>Expenditures</u>				
General Government	2,792,551	2,797,064	2,575,572	221,492
Public Safety	4,783,901	4,842,305	4,484,954	357,351
Education	23,271,070	23,251,705	23,304,656	(52,951)
Highway and Public Works	1,968,397	1,924,442	1,900,068	24,374
Health and Human Services	342,112	342,112	381,046	(38,934)
Culture and Recreation	1,484,783	1,505,661	1,259,510	246,151
Debt Service	1,522,085	1,610,435	1,604,191	6,244
Intergovernmental	93,392	93,392	93,392	-
Employee Benefits	3,867,106	3,841,547	3,700,125	141,422
Total Expenditures	<u>40,125,397</u>	<u>40,208,663</u>	<u>39,303,514</u>	<u>905,149</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,626,928)</u>	<u>(1,614,201)</u>	<u>(611,124)</u>	<u>1,003,077</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	1,343,957	1,343,957	1,343,957	-
Transfers Out	(254,174)	(1,108,836)	(1,108,836)	-
Free Cash and Other Available Funds	300,857	1,142,792	1,142,792	-
Budgetary Balance	236,288	236,288	236,288	-
Total Other Financing Sources (Uses)	<u>1,626,928</u>	<u>1,614,201</u>	<u>1,614,201</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,003,077</u>	<u>\$ 1,003,077</u>

See Notes to the Required Supplementary Information

Required Supplementary Information
Schedule of the Town of Groton Massachusetts' Proportionate Share of the Net Pension Liability
Middlesex County Retirement System
Last Ten Fiscal Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportionate share of the net pension liability (asset) (%)	1.594533%	1.493504%	1.508098%	1.582453%	1.595806%	1.622876%	1.627086%
Town's proportionate share of the net pension liability (asset) (\$)	25,513,416	23,290,688	21,402,700	22,421,400	20,586,198	19,495,870	19,293,598
Town's covered payroll	7,971,673	7,545,657	7,236,359	7,051,413	6,891,765	6,626,697	6,764,657
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	320.05%	308.66%	295.77%	317.97%	298.71%	294.20%	285.21%
Plan fiduciary net position as a percentage of the pension liability	49.45%	46.40%	49.27%	45.49%	46.13%	47.65%	46.18%

**Historical information prior to implementation of GASB 67/68 is not required

The amounts presented for each fiscal year were determined as of December 31.

See Notes to the Required Supplementary Information

Required Supplementary Information
Schedule of the Town of Groton Massachusetts' Contributions
Middlesex County Retirement System
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,973,053	\$ 2,081,699	\$ 1,966,279	\$ 1,839,040	\$ 1,737,842	\$ 1,560,704	\$ 1,476,492
Contributions in relation to the contractually required contribution	<u>(1,973,053)</u>	<u>(2,081,699)</u>	<u>(1,966,279)</u>	<u>(1,839,040)</u>	<u>(1,737,842)</u>	<u>(1,560,704)</u>	<u>(1,476,492)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	7,971,673	7,545,657	7,236,359	7,051,413	6,891,765	6,626,697	6,764,657
Contributions as a percentage of covered payroll	24.75%	27.59%	27.17%	26.08%	25.22%	23.55%	21.83%

This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.

See Notes to the Required Supplementary Information

Town of Groton, Massachusetts
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios
June 30, 2020

	2020	2019	2018	2017
Total OPEB liability				
Service cost	\$ 286,592	\$ 328,620	\$ 460,696	\$ 395,760
Interest	550,245	645,543	461,403	334,604
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	777,133	-	-	2,270,297
Changes in assumptions (see below*)	(887,465)	(2,198,188)	-	-
Benefit payments	(344,921)	(300,225)	(269,876)	(226,325)
Net change in total OPEB liability	381,584	(1,524,250)	652,223	2,774,336
Total OPEB liability - beginning	9,054,108	10,578,358	9,926,135	7,151,799
Total OPEB liability - ending (a)	\$ 9,435,692	\$ 9,054,108	\$ 10,578,358	\$ 9,926,135
Plan Fiduciary net position				
Contributions - employer	\$ 513,921	\$ 400,204	\$ 369,826	\$ 226,325
Net investment income	15,891	12,377	1,388	12
Benefit payments	(344,921)	(300,225)	(269,876)	(226,325)
Administrative expense	-	-	-	-
Net change in plan fiduciary net position	184,891	112,356	101,338	12
Plan fiduciary net position - beginning	213,716	101,360	22	10
Plan fiduciary net position - ending (b)	\$ 398,607	\$ 213,716	\$ 101,360	\$ 22
Town's net OPEB liability - ending (a) - (b)	\$ 9,037,085	\$ 8,840,392	\$ 10,476,998	\$ 9,926,113
Plan fiduciary net position as a percentage of the total OPEB liability	4.22%	2.36%	0.96%	0.00%
Covered payroll	\$ 7,662,396	\$ 6,857,693	\$ 6,552,226	\$ 6,657,954
Town's net OPEB liability as a percentage of covered payroll	117.94%	128.91%	159.90%	149.09%

Notes to Schedule:

GASB 75 Reporting

Benefit changes

No Changes

Changes in assumption

The discount rate has been changed from 4.5% to 6%.

This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available

See Notes to the Required Supplementary Information

Town of Groton, Massachusetts
Required Supplementary Information
Schedule of Contributions - Other Post Employment Benefits
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarial determined contribution	\$ 936,392	\$ 934,511	\$ 1,043,834	\$ 978,898
Contributions in relating to the actuarially determined contribution	513,921	400,204	369,826	226,325
Contribution deficiency (excess)	<u>\$ 422,471</u>	<u>\$ 534,307</u>	<u>\$ 674,008</u>	<u>\$ 752,573</u>
Covered payroll	\$ 7,662,396	\$ 6,857,693	\$ 6,552,226	\$ 6,657,226
Contributions as a percentage of covered payroll	6.71%	5.84%	5.64%	3.40%

Notes to Schedule

GASB 75 Reporting

Valuation date:	7/1/2019	7/1/2017
Actuarial cost method	Individual Entry Age Normal	
Asset valuation method	Market Value of Assets	
Inflation	2.50%	
Salary increases	3.00%	
Investment rate of return	6.53%, net of OPEB plan investment expense, including inflation	
Pre-Retirement Mortality:	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females	
Post-Retirement:	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females	
Disabled:	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females	

Town of Groton, Massachusetts
 Required Supplementary Information
 Schedule of Investment Returns - Other Post Employment Benefits
 (GASB 74)
 June 30, 2020

	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	4.31%	4.71%	0.88%	0.01%

This Schedule is intended to show information for 10 years. Additional years's information will be displayed as it becomes available.

See Notes to the Required Supplementary Information

Groton Electric Light Department
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios - Electric Light
December 31, 2019

	2019	2018	2017
Total OPEB liability			
Service cost	\$ 47,023	\$ 42,255	\$ 43,054
Interest	81,077	76,041	64,746
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	(2,836)	115,369
Changes in assumptions	56,750	-	-
Benefit payments	<u>(37,091)</u>	<u>(35,542)</u>	<u>(32,739)</u>
Net change in total OPEB liability	147,759	79,918	190,430
Total OPEB liability - beginning	<u>1,322,530</u>	<u>1,242,612</u>	<u>1,052,182</u>
Total OPEB liability - ending (a)	<u>\$ 1,470,289</u>	<u>\$ 1,322,530</u>	<u>\$ 1,242,612</u>
Plan Fiduciary net position			
Contributions - employer	\$ 37,091	\$ 89,971	\$ 238,739
Net investment income	204,052	(37,566)	118,827
Benefit payments	(37,091)	(35,542)	(32,739)
Administrative expense	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	204,052	16,863	324,827
Plan fiduciary net position - beginning	<u>1,182,547</u>	<u>1,165,684</u>	<u>840,857</u>
Plan fiduciary net position - ending (b)	<u>\$ 1,386,599</u>	<u>\$ 1,182,547</u>	<u>\$ 1,165,684</u>
Department's net OPEB liability - ending (a) - (b)	<u>\$ 83,690</u>	<u>\$ 139,983</u>	<u>\$ 76,928</u>
Plan fiduciary net position as a percentage of the total OPEB liability	94.31%	89.42%	93.81%
Covered payroll	\$ 1,186,461	\$ 1,151,904	\$ 1,118,353
Department's net OPEB liability as a percentage of covered payroll	7.05%	12.15%	6.88%

This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available

See Notes to the Required Supplementary Information

Groton Electric Light Department
Required Supplementary Information
Schedule of Contributions - Other Post Employment Benefit - Electric Light
December 31, 2019

	2019	2018	2017
Actuarial determined contribution	\$52,619	\$51,849	\$57,538
Contributions in relating to the actuarially determined contribution	<u>37,091</u>	<u>89,971</u>	<u>238,739</u>
Contribution deficiency (excess)	<u>\$ 15,528</u>	<u>\$ (38,122)</u>	<u>\$ (181,201)</u>
Covered payroll	\$ 1,186,461	\$ 1,151,904	\$ 1,118,353
Contributions as a percentage of covered payroll	3.13%	7.81%	21.35%

Notes to Schedule

Valuation date: 1/1/2018 1/1/2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual Entry Age Normal
Amortization method	Level Dollar Amortization at 7%
Amortization period	30 years
Asset valuation method	Market Value
Inflation	2.50%
Investment rate of return	5.72%, net of investment expenses, including inflation

Mortality

Pre-Retirement Mortality - RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females

Post-Retirement Mortality - Safety Employees: RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2012 for males and females

Disabled Mortality RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2012 for males and females

This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.

See Notes to the Required Supplementary Information

Groton Electric Light Department
Required Supplementary Information
Schedule of Investment Returns - Other Post Employment Benefit - Electric Light
(GASB 74)
December 31, 2019

	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	17.26%	-3.10%	12.88%

This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.

See Notes to the Required Supplementary Information

Town of Groton, Massachusetts
Notes to the Required Supplementary Information
June 30, 2020

I. Budgetary Information

Budget requests are prepared by the various Town departments and submitted to the Selectmen and Finance Committee for review during January and February of each year. The Selectmen and Finance Committee have until the annual Town meeting is held, to make any changes to the departments' requests. After approval of the budget at the annual Town meeting, the tax recapitulation (recap) sheet is prepared. During this process the property tax rate is determined and the recap sheet is sent to the Department of Revenue for approval.

Encumbrance accounting is utilized when purchase orders, contracts or other commitments for purchases are recorded in order to reserve that portion of the applicable appropriations. Encumbrances still open at year end are reported as a reservation of fund balance. Encumbrances do not constitute expenditures or liabilities.

II. Pension Plans

i. Plan Description

The Town provides pension benefits to eligible employees by contributing to the Middlesex County Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Middlesex County Retirement System. The System is administered by a five member board on behalf of all eligible current employees and retirees. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The Town is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Middlesex County Retirement System issues a stand-alone financial report that is available to the public at <https://middlesexretirement.org/wp-content/uploads/2020/08/FINAL-Audit-Report-Middlesex-Retirement-12-31-2019.pdf> or by writing to the Middlesex County Retirement System, 25 Linnell Circle, P.O. Box 160, Billerica, Massachusetts 01865.

ii. Funding Plan

Active members of the Middlesex County Retirement System contribute either 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The Town is required to pay an actuarially determined rate. The contribution requirements of plan members are determined by M.G.L. Chapter 32. The Town's contribution requirement is established and may be amended by the Middlesex County Retirement System with the approval of the Public Employee Retirement Administration Commission.

iii. Change in Assumptions and Plan Provisions

The following assumption changes were reflected in the January 1, 2020 actuarial valuation:

Changes in Assumptions

- The net investment rate of return assumption was reduced from 7.50% to 7.30%.

Changes in Plan Provisions

- As permitted by Section 19 of Chapter 188 of the Acts of 2010, the Cost of Living Adjustment base was increased from \$14,000 to \$16,000 as of July 1, 2019.

iv. Schedule of Town's Proportionate Share of the Net Pension Liability - Middlesex County Retirement System

The schedule details the Town's percentage of the collective net pension liability, the proportionate amount of the collective net pension liability, the Town's covered payroll, the Town's proportionate share of the collective net pension liability as a percentage of the Town's covered payroll and the fiduciary net position of the plan as a percentage of the total pension liability. As more information becomes available, this will be a ten year schedule.

v. Schedule of the Town's Contributions – Middlesex County Retirement System

The schedule details the Town's contractually required contributions, the contributions made by the Town, the deficiency/(excess) of contributions made by the Town, the Town's covered payroll and the Town's contributions as a percentage of covered payroll. As more information becomes available, this will be a ten year schedule.

III. Other Postemployment Benefits (OPEB) Disclosures

Plan Description

Plan Administration: The Town administers all activity related to the other post-employment benefits plan - a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all eligible employees of the Town. Management of the plan is vested in the Town's Treasurer. The Town's Board of Selectmen has the authority to establish and amend benefit terms.

Benefits Provided: The Town provides retired employees and their spouses and dependents with payments for a portion of their health care and life insurance benefits. Benefits are provided through a third-party insurer.

Contributions. The Town pays 70% of the premiums for the active employees and 65% for the retirees for health insurance, and 50% of the premiums for both the active employees and retirees for life insurance, with the employees/retirees paying the remaining percentage.

Benefits paid by the Town are on a pay-as-you-go basis. The contribution requirements of plan members and the Town are established and may be amended from time to time.

i. Schedule of Net OPEB Liability and Related Ratios

The schedule provides information about the changes in the OPEB liability and the changes in the fiduciary net position of the plan. The schedule, also, provides the plan fiduciary net position as a percentage of the total OPEB liability, the covered employee payroll and the Town's net OPEB liability as a percentage of covered employee payroll.

ii. Schedule of Contributions - Other Post Employment Benefits

The schedule details the Town's actuarially required contributions, the contributions made by the Town, the deficiency/(excess) of contributions made by the Town, the Town's covered payroll and the Town's contributions as a percentage of covered payroll.

iii. Schedule of Investment Rate of Returns - Other Post Employment Benefits

The schedule details the Town's annual money weighted rate of return, net of investment expense.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS*

Board of Selectmen
Town of Groton
173 Main Street
Groton, MA 01450

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Town of Groton, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Groton's basic financial statements, and have issued our report thereon dated December 16, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Groton's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Groton's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Groton's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did issue a management letter that addresses issues (not significant deficiencies or material weaknesses) that we believe should be communicated to you.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Groton's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
Georgetown, Massachusetts
December 16, 2020